FINANCIAL INFORMATION FORUM

5 Hanover Square
New York, New York 10004

212-422-8568

January 25, 2012

Mr. Robert Cook
Director, Division of Trading and Markets
Securities and Exchange Commission
100 F Street, NE,
Washington, DC 20549-1090

Mr. David Shillman
Associate Director, Division of Trading and Markets
Securities and Exchange Commission
100 F Street, NE,
Washington, DC 20549-1090

Dear Mr. Cook and Mr. Shillman,

The Financial Information Forum (FIF) would like to take this opportunity to revise our request for relief from certain aspects of Large Trader Reporting as it relates to average price processing accounts as outlined in the FIF Position Document of December 5.[1] Please note that the following requests detailed in our December 22 letter remain unchanged:

1. Establish a common production date for EBS record layout changes for both SEC Large Trader requests and ISG Blue Sheet requests utilizing the new record layout.

2. Provide a ten month time period for the implementation of both initiatives once open issues are resolved and relief/accommodation is granted. Assuming resolution on open issues and relief/accommodation requests related to both Large Trader and EBS enhancements is reached by the end of January 2012, we recommend November 30, 2012 as the common effective date for the Large Trader changes currently scheduled for April 30, 2012 and the EBS Record Layout changes currently scheduled for August 31, 2012.

3. Provide relief from reporting execution time on options exercise and assignments, along with ETF creation/redemption transactions[2] since these types of transactions either do not have an execution time, or are processed outside of market hours. These transactions were excluded from the determination of Large Trader status.

4. Provide relief from Large Trader Reporting for non-self clearing broker dealers. Clearing broker dealers would perform Large Trader Reporting on behalf of their clients.

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[1] Relief requests were also included as Appendix C in our December 22 letter to Mr. David Shillman and Mr. Gary Grey. The full text of our December 22 letter including appendices is enclosed as an addendum to this document.
[2] Relief request made with respect to the actual transfers, not the buys/sells of the underlying securities in the market. Originally discussed in Appendix B, Section 1.4, Question #12 of our December 22 letter.

5. Provide relief for prime brokers from reporting individual executions and associated execution times. Clearing broker dealers and self-clearing broker dealers would provide individual executions with associated execution time. Both prime brokers and clearing brokers would provide LTID(s) at the allocation level.

6. Provide relief for broker dealers involved in Large Trader transactions that do not have a direct relationship with the Large Trader. Only the self-clearing and clearing broker dealers with a direct relationship with the Large Trader would perform Large Trader Reporting.

7. Provide relief in scenarios where clearing responsibility is transferred between clearing members. The clearing member associated with the executions would provide execution information including execution times. The clearing broker associated with the clearance and settlement of the transaction would supply LTID(s) at the allocation level.

Relief Request for Average Price Processing Accounts

Based on our discussions with Commission staff, we understand that the Commission is most interested in associating LTIDs with executions in circumstances where the Large Trader client is using its own technology to make decisions regarding placing orders directly in the marketplace. While FIF would prefer to have relief that applies to all average price processing accounts, we acknowledge the Commission's interest in monitoring this type of trading activity and believe that it would be feasible to provide both LTIDs and execution times on executions resulting from sponsored access arrangements[3]. As such, FIF is limiting our request for relief on average price processing accounts to exclude those that access the market through sponsored access arrangements. Specifically, FIF requests the following relief with respect to average price processing accounts:

1. Relief from providing LTIDs on executions in average price processing accounts exclusive of sponsored access arrangements. Executions in average price processing accounts would be reported with execution time but without LTIDs. Executions resulting from sponsored access arrangements would include both LTID and execution time.

2. Relief from providing execution time on allocations made out of average price processing accounts. Average price processing account allocations would be reported with LTIDs but not execution times. (Note: Request for relief from reporting execution time on allocations remains unchanged.)

[3] FIF members are using the definition of "sponsored access" used in the Adopting Release of the SEC Market Access Rule which defines sponsored access as follows, "…sponsored access generally refers to an arrangement whereby a broker-dealer permits customers to enter orders into a trading center that bypass the broker-dealer's trading system and are routed directly to a trading center, in some cases supported by a service bureau or other third party technology provider." In sponsored access arrangements, clients are using their own technology to access the marketplace.

Average Price Processing Accounts Discussion

Average Price Processing Accounts are accounts at broker dealers – both self-clearing and non-self clearing - used for processing client orders. In the simplest scenario, executing brokers use average price processing accounts and provide average price allocations and street-side executions to their clearing brokers. Additionally, these accounts may include executions for multiple clients from which allocations are made into client sub-accounts. The times at which filled orders are allocated from the broker dealer's average price processing account to the accounts of Large Traders bear no relationship to the execution times of the fills that comprise the allocation. Since a broker dealer can receive multiple fills on an order using a multi-client average price processing account, there is no practical way to link execution times of the fills to the allocations which are received after the order is completed for the day, occasionally on T+1. As such, it would be inaccurate to attribute any one specific execution time to allocation transactions.

In some cases institutional orders from multiple clients are bunched in a broker-dealer's average price processing account before being sent to the market. When a broker-dealer receives fills on a bunched agency order, it is unable to distinguish which fill "belongs" to which specific order or LT; rather the total shares obtained are allocated back to the individual orders on an average price basis once all fills have been received.

The need for relief on average price processing accounts extends to both traditional and direct market access[4] ("DMA") business due to the fact that DMA transactions are often processed using the same infrastructure as traditional business. In many cases, DMA and traditional business is commingled in a single average price processing account and processed under a single MPID. Subject to all of the same challenges as traditional institutional business, it is not possible to exclude DMA flow from our average price processing relief request.

Relief Needed to Avoid Significantly Increasing Scope & Cost of Implementation

It is important to recognize that adding LTIDs to street-side executions in average price processing accounts would transform the nature of Large Trader Reporting implementation that is currently based on the capture of LTIDs at the account level. Firms have based their implementation (including the 10 month implementation timeframe we have requested) on the statement made in the Adopting Release which explains that the rule requires that "a broker-dealer tag an LTID to an account rather than to each transaction."[5]

[4] FIF members are using the definition of "direct market access" used in the Adopting Release of the SEC Market Access Rule which defines the term as follows, ""…direct market access refers to an arrangement whereby a broker-dealer permits customers to enter orders into a trading center but such orders flow through the broker-dealer's trading systems prior to reaching the trading center."

[5] Footnote 165 states: "While paragraph (d)(2) of the Rule sets forth the information that is to be maintained for each transaction, subparagraph (xiii) requires that the broker-dealer record the LTIDs "associated with the account, unless the account is for an Unidentified Large Trader." <u>This provision effectively requires that a broker-dealer tag an LTID to an account rather than to each transaction.</u> In addition, for an Unidentified Large Trader, the Commission expects broker-dealers to assign their own unique identifier to the applicable account(s)." (Note: underlining added for emphasis.)

As stated above, average price processing accounts are processing accounts containing executions for multiple clients and brokers are unable to link individual executions to a single client's LTID(s). Unlike execution time which can be derived from front office data, front office systems do not capture sub-account detail as part of the order or execution reporting process. It is possible for the entity placing the order to be doing so on behalf of one or more Large Trader(s) which means that reporting broker-dealers need to rely on allocation information at the sub-account level to ensure accurate Large Trader reporting.

For example, in the case of a DMA order placed by a hedge fund, the broker dealer may only be aware of the FIX Connection ID and mnemonic that the hedge fund is using to place the order. While this hedge fund may have a single connection into the broker dealer, that hedge fund could be placing orders on behalf of several portfolio managers (each with their own LTID) who are exercising investment discretion over that order flow. It is not possible to know the LTIDs associated with those orders and resulting executions until allocation and sub-account information is provided. Additionally, in this situation it is possible for this DMA order to be bunched with other client orders before being sent to the marketplace, further complicating the ability of a broker dealer to accurately associate LTID(s) with the executions associated with the DMA order.

In order to associate LTID(s) with executions in an average price processing account, firms[6] would need to consider a variety of re-engineering projects including:

- Dismantling current average price processing accounts widely used by many firms.
- Workflow changes to accommodate bunched order processing
- Creation of front office "ticketing systems" capable of associating LTIDs with executions.
- Potential changes to buy-side order information requirements
- Adding LTIDs to FIX-based order messages including the ability to strip LTID information from orders passed to other broker dealers and/or execution destinations to prevent information leakage
- Re-considering the use of real-time drop copies in favor of fills from non-self clearing brokers provided at the end of the day with LTIDs

If Commission staff were to require LTIDs on executions within average price processing accounts, the choice of Electronic Blue Sheets as a mechanism for Large Trader Reporting should be further evaluated given that this would extend reporting requirements to non-clearing broker dealers and involve broker-dealer systems not currently providing data in EBS formats.

Excluding Sponsored Access from FIF Request Addresses High Priority Commission Concerns

After reviewing our initial average price processing request with Commission staff, we understand that Commission staff is particularly interested in activity where the customer's technology is responsible for

[6] The projects discussed would be performed not just by clearing brokers but also by executing brokers. This would significantly increase the scope of impacted broker dealers to a multiple of the 300 registered broker dealers discussed in the Adopting Release.

the creation and determining the placement of orders in the marketplace. From an implementation perspective, FIF members believe that customers utilizing sponsored access arrangements are generally the most latency sensitive market participants besides broker dealers accessing the market directly. In both instances, FIF believes that broker dealers could report both execution time and LTID on street-side executions associated with that flow.

It is possible for broker-dealers to break out sponsored access arrangements from other types of flow due to the uniqueness of sponsored access arrangements which are typically operated in a manner distinct from all the brokers' other business lines.[7] Sponsored access arrangements generally have their own, separate infrastructure that processes order flow outside of the platforms that handle other client and proprietary flows. Bunched orders are not a characteristic of this type of business. In many cases this type of order flow is not processed through average price processing accounts. FIF members believe that they could make the necessary changes to accounts in sponsored access arrangements such that the LTID of the account holder would be associated with executions from that sponsored access client's account. The ten month implementation timeframe, previously requested would be sufficient to address sponsored access accounts.

Conclusion

We respectfully request that the Commission consider our updated relief request for average price processing accounts which excludes sponsored access arrangements as described above. We believe relief is warranted with respect to average price processing accounts along with the other relief and delay requests outlined at the beginning of this document and detailed in the December 22 letter.

As we approach the end of January, we are very concerned about the current April 30 date and the many issues that remain outstanding surrounding this initiative. We appreciate your willingness to discuss our requests and look forward to published guidance on these topics shortly. Please do not hesitate to contact me with any additional questions or comments.

Sincerely,

Manisha Kimmel

Manisha Kimmel
Executive Director
Financial Information Forum

Cc: The Honorable Mary L. Schapiro, Chairman
The Honorable Elisse B. Walter, Commissioner
The Honorable Luis A. Aguilar, Commissioner

[7] While clients may use their own technology in DMA arrangements, from an implementation perspective, it is not possible to segregate DMA flow from other institutional account activity. As discussed previously, DMA activity is included in the FIF average price processing relief request.

The Honorable Troy A. Paredes, Commissioner
The Honorable Daniel M. Gallagher, Commissioner
Richard R. Holley, III, Assistant Director, Division of Trading & Markets

Tom Gira, Executive Vice President, FINRA, ISG Chair
Gary Grey, Director II, FINRA, ISG Technology Subgroup
Margaret Williams, Vice President, Regulatory Services Division, CBOE, ISG US Subgroup Chair
Cindy Retterer, Vice President, NASDAQ OMX, ISG Technology Subgroup Chair

Enclosure: Letter to Mr. David Shillman and Gary Grey, dated December 22, 2011
Appendix A. FIF Questions on FINRA NTM 11-56
Appendix B. FIF Suggested FAQS-Open Questions on Large Trader Reporting
Appendix C. FIF Large Trader Reporting Position Document

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December 22, 2011

Mr. David Shillman
Associate Director, Division of Trading and Markets
Securities and Exchange Commission
100 F Street, NE,
Washington, DC 20549-1090

Mr. Gary Grey
Director II
FINRA
1 Liberty Plaza
165 Broadway
New York, NY 10006

Re: Release No. 34-64976; File Number S7-10-10, Large Trader Reporting & FINRA Notice to Members 11-56: FINRA and ISG Enhance Electronic Blue Sheet Submissions

Dear Mr. Shillman and Mr. Grey,

The Financial Information Forum (FIF)[8] would like to take this opportunity to recommend that the Securities & Exchange Commission (SEC, Commission) and Inter-market Surveillance Group (ISG) coordinate the implementation of broker-dealer obligations for Large Trader Reporting with other enhancements to ISG Electronic Blue Sheet (EBS) submissions as discussed in SEC Release No. 34-64976 and FINRA Notice to Members 11-56, respectively. Additionally, FIF recommends allowing sufficient implementation time to perform the business analysis, development and testing required to implement these substantial changes.

Specifically, we respectfully request that the Commission and ISG consider the following:

1. Establish a common production date for EBS record layout changes for both SEC Large Trader requests and ISG Blue Sheet requests utilizing the new record layout.

2. Provide a ten month time period for the implementation of both initiatives once open issues are resolved and relief/accommodation is granted.[9] Assuming resolution on open issues and

[8] FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the financial technology industry across the order lifecycle. Our participants include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.
[9] Appendix C of this document discusses FIF's position on several open issues with recommendations for relief/accommodation outlined in Appendix C, Section 5. Additionally, due to issues described later in this document, FIF recommends designating Employer SIC code as an optional field within the new EBS record layout.

relief/accommodation requests related to both Large Trader and EBS enhancements is reached by the end of January 2012, we recommend November 30, 2012 as the common effective date for the Large Trader changes currently scheduled for April 30, 2012 and the EBS Record Layout changes currently scheduled for August 31, 2012.

Recommended Effective Date Dependent on Resolving Open Issues and Relief/Accommodation
At this stage, there are a number of significant issues with both Large Trader Reporting and additional but unrelated EBS enhancements that require resolution before development efforts can begin in earnest. These questions include the following:

- Questions regarding the enhanced EBS record layout as described on FINRA Notice to Members 11-56, posted December 13, 2011. Please refer to Appendix A of this document for a list of questions related to the new fields, request criteria and other changes to the EBS submissions.

- Questions previously presented in the FIF Suggested FAQS-Open Questions document submitted to Commission staff on December 5, 2011 (and included as Appendix B of this document). Appendix B contains multiple questions on topics ranging from determining large trader status to broker-dealer reporting questions.

- Issues previously presented in the FIF Large Trader Position Document submitted on December 5, 2011 (and included as Appendix C of this document). Currently, FIF is awaiting a response from Commission staff regarding the issues and relief/accommodation requests outlined with respect to the following topics:
    - Broker-dealer reporting obligations – non-self clearing, self-clearing, clearing and prime broker responsibilities
    - Reporting obligations when multiple broker-dealers facilitate a transaction
    - Average price Processing Accounts

In the absence of clarity on the aforementioned issues, FIF member firms (including broker- dealers and vendors who provide EBS related services) are unable to draft functional and technical requirements in order to begin the development process. Instead, firms have been focusing on business analysis efforts at the industry and firm level to identify issues and propose solutions in response to the Large Trader Reporting Rule and the new EBS record layout. The expenditures of individual FIF member firms on business analysis alone has by-and-large already exceeded the $106,060 that the Adopting Release of the Large Trader Rule estimated for completing just the recordkeeping requirements. The level of complexity involved in implementing the Large Trader Rule has far exceeded initial estimates and expectations.

Additionally, in the absence of published guidance, FIF members are concerned that industry participants will draw different conclusions related to functional and technical requirements that will ultimately compromise the quality of the data generated in response to Large Trader requests. Barring guidance and relief, firms will be forced to program for multiple scenarios which will lead to increased development costs and further confusion. We urge the Commission and ISG to work with the industry in addressing these important issues.

Coordination between the SEC & ISG Would Reduce Risk & Complexity
FIF members did not anticipate changes to the EBS record layout beyond those required for Large Trader Reporting. As the questions posed in Appendix A indicate, there is a lack of clarity as to how the ISG and the SEC plan to implement two separate and clearly distinct processes using the same infrastructure. Maintaining separate dates for SEC Large Trader Reporting and ISG EBS record layout enhancements is problematic from an implementation perspective. Industry participants will not only have to replicate testing efforts[10] but they will also be required to support two separate reporting structures for an interim period of four months.

Scope of Implementation Effort Is Extensive
The work necessary to implement the enhanced EBS record layout for both SEC Large Trader requirements and other ISG requests entails more than the simple addition of new fields to a static record layout. While specific implementation efforts will vary from firm to firm, all firms will need to ensure that they are prepared as follows:

- Establish a clear understanding of the functional and technical requirements based on SEC and ISG guidance

- Populate the new fields accurately based on internal data or data from non-self clearing broker-dealers. Support for Order Execution time is discussed in detail in Appendix C, Section 3.
    - Firms that rely on clearing brokers for EBS reporting today may need to update record layouts of upload files provided to clearing firms.
    - Clearing firms will need to ensure that database structures and EBS systems are capable of maintaining data in the new fields, and that receiving systems are able to capture and store new data elements from non-self clearing broker-dealers.

- Enable back-end database structures with the capability to support new request criteria. This undertaking could be extensive based on the type of database currently supporting EBS reporting.

- Facilitate cross-system communication including working with 3rd party vendors as required.

- Test the new EBS submission process from both a functionality and capacity perspective.

- Provide training and education of internal staff and external clients

[10] While it is unclear from FINRA NTM 11-56 if a separate testing period will be established for the Large Trader Reporting elements, the testing scheduled for July 30 would be after the currently scheduled Large Trader implementation date.

Beyond reporting via EBS, it is important to recognize that to meet Large Trader Rule requirements firms will also need to analyze, develop and test:

- Unidentified Large Trader (ULT) monitoring capabilities including policies and procedures to inform ULTs of their potential obligations under the Rule

- LTID retention for accounts, including maintaining multiple LTIDs for a single account.

- Updates to existing account management systems and new client on-boarding processes.

Given that firms are still unclear about the scope of broker-dealer obligations as well as specific questions related to the new record layout as it pertains to both Large Trader Reporting and ISG requests, firms do not believe that an April 30, 2012 implementation date provides sufficient time to complete the tasks listed above.

Additionally, the FIF Large Trader Working Group has concerns with the August 31, 2012 date for the enhanced EBS record layout for the ISG. As indicated in Appendix A, there are several questions regarding the new layout which became available only recently on December 13, 2011.

For example, the requirement for including Employer SIC Code on EBS submissions may require firms to obtain and maintain data that is not currently made available to them. If providing this information becomes mandatory, firms will need to identify the source and method for obtaining and processing Employer SIC Code data. Due to the potential difficulty of collecting and maintaining this data, which is not mandated by Know Your Customer (KYC) or any other rule, FIF members believe that a cost/benefit analysis of this requirement should be performed prior to implementation. In order to fully address this and other important issues, FIF anticipates a continued dialogue with the ISG and SEC will be necessary.

We believe that the current implementation timeline is very aggressive considering that resources involved in EBS reporting at firms are currently focused on Large Trader Reporting. Additionally, adequate time for testing is required for both SEC Large Trader and ISG requests of EBS data in the new record layout. Due to the fact that changes are being made both in terms of the data required and in terms of request criteria, a substantial number of use cases will need to be tested. The introduction of new request criteria (e.g., requests by LTID or account number) is likely to significantly increase the size of EBS submission files. Extensive testing of both new functionality and increased capacity (i.e., stress testing) is appropriate. An appropriate test environment is also a necessity for firms to perform testing prior to receiving Large Trader requests from the SEC that require submissions in the new format. The current FINRA notice does not indicate how testing could be performed prior to the April 30, 2012 implementation date for SEC Large Trader reporting. FIF therefore recommends a ten month period with a four month test window from the time guidance on open issues is made available to complete the implementation of the expanded record formats in support of both of these projects.

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Summary
Given the scope of the implementation effort required and the number of open issues with these initiatives, FIF believes additional time is both reasonable and justified. In order to meet the goals of identifying large trader activity using the new EBS record layout, and also complying with additional ISG reporting requirements, we believe that the SEC and ISG should coordinate effective dates and provide the industry with ten months from the time open issues and relief requests are addressed. If this can be accomplished by the end of January 2012, FIF believes an implementation date of November 30, 2012 is sufficient to implement all of the related EBS changes.

FIF is committed to a successful and efficient implementation of these initiatives and we look forward to working with the SEC and ISG as we continue the implementation process. Please contact me at 312-953-9228 to discuss next steps.

Sincerely,

Manisha Kimmel

Manisha Kimmel
Executive Director
Financial Information Forum

Cc: The Honorable Mary L. Schapiro, Chairman
The Honorable Elisse B. Walter, Commissioner
The Honorable Luis A. Aguilar, Commissioner
The Honorable Troy A. Paredes, Commissioner
The Honorable Daniel M. Gallagher, Commissioner
Robert Cook, Director, Division of Trading and Markets
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Enclosure: Appendix A. FIF Questions on FINRA NTM 11-56
Appendix B. FIF Suggested FAQS-Open Questions on Large Trader Reporting
Appendix C. FIF Large Trader Reporting Position Document

Appendix A. FIF Questions on FINRA NTM 11-56

New Field – Order Execution Time

1. Will a blank execution time be acceptable for allocations from average price processing accounts?

   When a broker-dealer receives fills on an institutional order, there is no linking of the execution time of the fills to the allocations which come after the order is filled, occasionally on T+1. This is especially true when institutional orders are bunched before being sent to the market. Additionally, the times at which filled orders are allocated from the broker-dealer's average price processing account to the accounts of Large Traders bear no relationship to the execution times of the fills that comprise the allocation. As such, it would be inaccurate to attribute an execution time to allocation transactions.

   It has been suggested that the last execution time be used for the allocation. However, it is not possible to determine which execution is the "last execution" for the allocation since multiple orders are processed from a single average price processing account. There is no accurate way to determine which execution was the last with respect to any given allocation since there is no linking of executions to orders or executions to allocations in an average price processing account. There is often a many-to-many relationship between orders, executions and allocations.

   FIF recommends including LTIDs on allocations but leaving the execution time blank on Large Trader Reports. FIF has prepared a discussion document which provides examples and additional details on issues with average price processing. Please refer to Appendix C, Section 3.4.

2. The record layout indicates that the default value for Order Execution Time is dashes, "--"). Would the ISG consider allowing this field to be left blank?

   From a programmatic perspective, leaving Order Execution Time Blank would require less implementation effort. Additionally, this would be consistent with the majority of fields whose default value is blank.

3. Would the ISG consider making the format of Order Execution Time consistent with File Creation Time field?

4. FAQ#7 and #8 address the submission of consolidated executions. What is the difference between these FAQs?

   The FIF discussion document recommends allowing sufficient time for firms to reconfigure systems and upload files in order to accommodate the submission of street-side executions with Order Execution Time on EBS submissions.

Appendix A. FIF Questions on FINRA NTM 11-56

New Fields - Large Trader Identification Number 1, 2, and 3

5. FAQ #11 states “An LTID can be a maximum of 13 characters. Specifically, 8 characters for the LTID, followed by a dash, with 4 maximum characters for the optional suffix.” Does that mean that LTIDs without a suffix will be only 8 characters?

6. FAQ#12 describes an Unidentified Large Trader as an 8-character long identification beginning with the letters “ULT”. May firms use eight characters followed by the optional use of a dash and four digits to describe an Unidentified Large Trader, e.g., ULTXY123-0000?

7. Will there be a way within the record layout to distinguish between a Large Trader Reporting Request and an ISG Blue Sheet Request?

New Field - Entering Firm MPID

8. What is the definition of marketplace? Please discuss in the context of when an order is executed on an exchange or by a broker-dealer (e.g., dark pool, internalizer, etc.).

9. Is the “entering firm” meant to be the firm that initiates the order to the market place, or the firm that receives an order for execution? Please provide examples where multiple broker-dealers are involved in processing a transaction, e.g., introducing broker, clearing broker, executing broker, exchange.

   Depending on the definition of “entering firm,” FIF members are concerned with availability of information, especially in transactions involving multiple brokers. In those scenarios, an EBS reporting firm may only know the firm to which they submitted an order to as opposed to the firm that actually submitted the order to the marketplace.

10. Would a blank value for Entering Firm MPID be permissible on allocations from an average price processing account?

    Further discussion is required once a definition of Entering Firm MPID is understood. However, FIF preliminarily believes that since allocations from an average price account are not associated with individual street-side executions there may be issues with including Entering Firm MPIDs on these records. Please refer to Appendix C, Section 3.4 for a discussion of Average Price Processing Accounts.

Appendix A. FIF Questions on FINRA NTM 11-56

New Field - Employer SIC Code

11. There is currently no regulatory requirement to capture Employer SIC Codes. Would it be correct to assume that this field is optional and should be populated on a best efforts basis?

    This data is not currently captured as part of new account opening or management processes. FIF members believe a massive implementation effort will be required to populate and maintain the accuracy of this data. We believe it may be difficult to obtain this information from clients without a regulatory mandate. FIF members would ask the ISG to consider this an optional field populated on a best efforts basis.

12. If a customer is employed by a firm that operates in multiple industries, which SIC code is supposed to be used?

13. What SIC code should be used for institutions?

14. What SIC code should be used for retired persons?

15. Should SIC code be different if a person is employed by a private versus public company?

16. How should Employer SIC code be populated if the account is jointly held?

17. If an account holder changes their employer, how does the ISG expect this data to be updated?

New Field - Executing Firm CRD Number

Note: Depending on the definition of "Executing Firm," FIF members are concerned with the availability of information especially in transactions involving multiple brokers. In those scenarios, an EBS reporting firm may only know the firm to which they submitted an order to as opposed to the firm that actually executed the order.

18. Is the Executing Firm the firm who actually executed the order as opposed to the firm who routed the order to an exchange?

19. What is expected for executions that occur on an Exchange such as NYSE, CBOE, etc.?

20. What is expected for executions that occur at a broker-dealer such as a dark pool, market maker, etc.?

21. How will firms obtain CRD numbers for executing firms? Will FINRA publish a list of all CRD numbers based on the Brokerage Firm Index available at http://brokercheck.finra.org/Search/Search.aspx?

New Request Criteria

22. Will requests be made using the new request criteria for data before the new record layout is effective?

23. Request criteria provided in FINRA NTM 11-56 does not include any by LTID. How will LTID requests be made?

    FIF has presented this question to the SEC. See Appendix B for more detailed questions on Large Trader Reporting requests.

24. Requesting EBS reports by account number would have potential limitations when orders are processed via an average price processing account. This complexity mirrors the issues of assigning LTID to street-side executions (please refer to Appendix C, Section 3.4 for a discussion of average price accounts and LTIDs.) Would the ISG accept allocations without street-side executions in response to a request by account number for transactions processed via an average price account?

    FIF members believe account numbers (and LTIDs) should be associated with allocations in an average price account. Since many firms use a single processing account to effect street-side executions for a large number of clients and allocate those trades on an average price basis, reports submitted in response to a request by account number would not be able to include the street-side executions.

Appendix A. FIF Questions on FINRA NTM 11-56

Implementation of Large Trader Reporting Prior to ISG Record Layout Enhancements

25. Is it the expectation of the SEC and ISG that firms would maintain two record layouts after the implementation of Large Trader Reporting but prior to the implementation of EBS for the time period currently scheduled for April 30 to Aug 31, 2012? Please provide additional details on how the new record layout would be filled in from the period of April 30 – August 30, 2012.

    To avoid added cost and complexity, FIF recommends a ten month implementation period and a common effective date for both SEC Large Trader and ISG record layout changes.

26. The FINRA NTM mentions testing available beginning July 30, 2012, what testing will be available for the April 30, 2012 deadline?

    Extensive testing for the new EBS record layout in support of Large Trader Reporting changes is essential for a successful implementation of the rule. FIF recommends a four month testing window, from July 30, 2012 to November 30, 2012.

27. Will a different mechanism be required for sending data to the SEC between April 30 and Aug 31, 2012?

    To avoid added cost and complexity, FIF recommends a ten month implementation period and a common effective date for both SEC Large Trader and ISG record layout changes.

Exchange Code/ Transaction Type Changes

28. What is the definition of Voluntary Professional for Options, “W”?

29. Transaction Types “M”, “N” and “Y” have traditionally been associated with Options Securities but are currently listed as Equities Transaction Types. FIF members believe this was in error. Will ISG publish an updated table?

30. Previously the “X” exchange code indicated ECN, what code should be used when an ECN is the execution venue? Would it be “S” for Over-the-counter?

31. What is the effective date of the exchange code and transaction type changes described above?

Appendix B. FIF Suggested FAQS-Open Questions on Large Trader Reporting (Submitted to the SEC, 12/5/2011)

FIF Large Trader Working Group: Suggested FAQ/Outstanding Questions

Once the SEC has evaluated FIF's relief/accommodation requests, we anticipate questions related to broker responsibility, average price processing, and broker to broker transactions to be addressed in a no-action letter or FAQ.

Legend:

- **Recommend for SEC FAQ:** Questions previously answered by SEC staff that FIF recommends including in an SEC Large Trader FAQ
- **OPEN/ Recommend for SEC FAQ:** Open questions not yet answered by the SEC that FIF recommends including in an SEC Large Trader FAQ
- **OPEN:** Open questions not yet answered by the SEC staff; may not be necessary to include in a FAQ

1.1 Determining Large Trader Status

1. **How should the fair market value of an equity option be calculated? For example, if there is an option on XYZ and the options premium = $2 and XYZ is trading at $30, is the fair market value 50,000 *$2 ($100,000) or 50,000 *$30 ($1,500,000)? (OPEN, Recommend for SEC FAQ)**
   Footnote 64 explains how to calculate aggregate transactions with equity options but does not state how to calculate the fair market value of an equity option. Based on Nov 17 call with SEC staff, they indicated they would prefer to address this in a FAQ. Note: Footnote 64 states, in part: "For example, 50,000 shares of XYZ stock and 500 XYZ call options would count as aggregate transactions of 100,000 shares in XYZ (i.e., 50,000 + 500 x 100 = 100,000)." but does not cover the fair market value for the equity options.

2. **Could the SEC confirm that market-making activity contributes to a broker-dealer's determination of their Large Trader status? (OPEN)**

1.2 Broker-Dealer Recordkeeping/Large Trader ID Communication

3. **If an entity has an LTID with a suffix does that entity have to also send the parent LTID? (Recommend for SEC FAQ)**
   No. Just the LTID with suffix. (Conversation with SEC Staff, 11/17/2011)

4. **If an entity has an LTID that is different from its parent's LTID, do you have to send both LTIDs? (Recommend for SEC FAQ)**
   Yes. (Conversation with SEC Staff, 11/17/2011)

5. **How will Unidentified Large Traders be designated for the purposes of Electronic Blue Sheets? Are there any formatting requirements for internal tracking? (Recommend for an SEC FAQ)**
   An SEC-established standard on how Unidentified Large Traders should be represented would be helpful to promote industry standardization

6. **If the LTIDs change for an account, do firms need to maintain the old LTIDs with historical data? (OPEN)**

1.3 Broker-Dealer Monitoring

7. **Consider the following retail scenario: (OPEN)**
   a. Client has investment adviser account and trades NMS equities and options.
   b. Client places orders online, investment adviser places orders via OMS, phones orders into trading desk, and farms out management of small cap portion of portfolio to sub-adviser. Orders can be client initiated; adviser initiated trades placed in client's account; Adviser initiated trades allocated to client account from omnibus account or Sub-adviser initiated trades done on behalf of client/advisor
   c. Segregating trades in a client's account based on investment discretion may be a function of the account, the use of a rep code or may not be known at all.

      For monitoring purposes, may a firm include all account activity in monitoring the account's large trader status?

      If the client, investment adviser and sub-adviser are all Large Traders, would the account be associated with 3 LTIDs? Is it acceptable for all activity associated with the account to show three LTIDs?

8. **What is the obligation with respect to monitoring for unidentified large traders for the following firms involved in executing NMS securities? (OPEN, Recommend for SEC FAQ)**
   a. **The introducing broker dealer with the direct relationship with the client**
   b. **The clearing broker dealer of the introducing broker dealer**
   c. **The prime broker of the client**

Appendix B. FIF Suggested FAQS-Open Questions on Large Trader Reporting (Submitted to the SEC, 12/5/2011)

1.4 Broker Dealer Reporting

9. **What Large Trader Request criteria does the SEC intend to use for Large Trader Reporting Requests on Equity Securities? (OPEN, Recommend for SEC FAQ)**
    a. **Will a symbol be included in all requests or will there be requests by LTID across all symbols?**
    b. **Will requests be for a single date or also a date range?**
    c. **How would unidentified large trading activity be requested?**

    A full list of possible requests is required to ensure that the necessary functionality is built into Large Trader Reporting systems.

10. **Option EBS requests are generally driven from LOPR reviews for specific underlying symbol, strike price, put-call indicator and expiration date. Will the process for option EBS request change, i.e., will the SEC expect options data based solely on symbol and/or LTID? (OPEN, Recommend for SEC FAQ)**

    A full list of possible requests is required to ensure that the necessary functionality is built into Large Trader Reporting systems.

11. **Are transactions that are traditionally excluded from EBS now required for Large Trader Reporting?(Recommend for SEC FAQ)**
    While the exclusions are only in place for determining large trader status, EBS requests today do not typically include journal entries, position movements, repos or stock loan. *Transactions that are typically excluded from Blue Sheets will also be excluded from Large Trader Reporting. (Discussed with SEC staff, 9/29/2011)*

12. **Options exercise and assignments, along with ETF creation/redemption transactions (the actual transfers, not the buys/sells of the underlying securities in the market) either do not have an execution time, or are processed outside of market hours. These types of transactions are excluded from the determination of Large Trader status. Will the SEC consider relief from reporting execution time for these types of transactions? (OPEN, Recommend for SEC FAQ)**
    The FIF WG believes that reporting of execution time should not be required for these types of transactions.

Appendix B. FIF Suggested FAQS-Open Questions on Large Trader Reporting (Submitted to the SEC, 12/5/2011)

13. **Consider the following scenario. A client trades with a broker-dealer on Day 1 and informs the broker-dealer of their LTID on Day 2. On Day 3, the broker dealer receives a Large Trader Reporting Request. Do Day 1 transactions have to be reported?(OPEN)**
    The FIF WG believes that reporting should not be required to include transactions occurring before the LTID is provided.

14. **What changes will be made to the EBS Record Layout?(OPEN) [Note: With the December 13, 2011 release of FINRA NTM 11-56, this question is resolved]**

15. **Will the new fields need to be populated for all Blue Sheet request or just Commission requests for Large Trader Reporting? In other words, when a normal Blue Sheet request is processed, and a transaction in an LTID account is included, will that LTID need to be disclosed on that EBS request? (OPEN) [Note: With the December 13, 2011 release of FINRA NTM 11-56, this question is resolved]**

16. **Will SIAC have any constraints on file sizes? Based on the expected query parameters, what are the capacity requirements? (OPEN)**

17. **Will there be specifications that address rejection processing? For example, how will Large Trader responses with an invalid LTID be handled? (OPEN)**

FIF Large Trader Working Group
Large Trader Reporting Rule Discussion Document

(Submitted to Commission Staff on December 5, 2011)

Table of Contents

2 Sample Responses to an SEC Large Trader Reporting Request (Equity Securities)

Based on the FIF recommendations proposed in the following sections of this document, the SEC would receive the following information on Large Trader Requests for three possible equity scenarios.[11]

2.1 Large Trader Request by LTID - Large Trader is a U.S. Registered Broker Dealer

Request specifics:

- LTID: 12345678-0000
- Ticker Symbol: MSFT
- Trade Date: 110901 (Sept 1, 2011)

Responders: The Clearing Broker Dealer of the Large Trader Broker Dealer or the Large Trader Broker Dealer, themselves if Self-Clearing. Typically only one broker dealer would respond to this request.

Response: All executions with LTIDs and execution times.

Comment	#	Ticker Symbol	Quantity	Price	Buy/Sell Code	Name & Address Line 1	Account Number	Account Type Indicator	Average Price Account	Large Trader ID	Execution Time
Execution	1	MSFT	500	$25.01	0	LTBD, 111 Main	BD123	P		12345678-0000	9:45:26
Execution	2	MSFT	200	$25.00	0	LTBD, 111 Main	BD123	P		12345678-0000	9:45:28
Execution	3	MSFT	100	$24.99	0	LTBD, 111 Main	BD123	P		12345678-0000	9:45:30
Execution	4	MSFT	100	$25.02	0	LTBD, 111 Main	BD123	P		12345678-0000	9:45:33
Execution	5	MSFT	100	$25.01	0	LTBD, 111 Main	BD123	P		12345678-0000	9:45:35

[11] FIF is looking for specific guidance on how options requests will be made. Those questions are presented in the FIF Suggested FAQs-Open Questions document.

2.2 Large Trader Request by LTID – Large Trader is not a U.S. Registered Broker Dealer

Request specifics:

- LTID: 87654321-0000
- Ticker Symbol: MSFT
- Trade Date: 110901 (Sept 1, 2011)

Responders: Multiple Clearing Brokers/Self-Clearing Brokers representing all the originating broker dealers that executed an order on behalf of the Large Trader Institutional Client as well as all the Prime Brokers carrying the Large Trader's account(s).

Response:

- Client Allocations with LTIDs but no execution times
- Executions with execution times but no LTIDs. As a result, executions from non-Large Traders and other Large Traders would be included in a response to this Large Trader request.

Comment	#	Ticker Symbol	Quantity	Price	Buy/Sell Code	Name & Address Line 1	Account Number	Account Type Indicator	Average Price Account	Large Trader ID	Execution Time
Allocation at Prime Broker	A-1	MSFT	1,000	25.007	0	LT Institution, 444 Maple	PB123	A	1	87654321-0000	
Allocation at Clearing Broker	A-2	MSFT	1,000	25.007	0	LT Institution, 444 Maple	IC123	A	1	87654321-0000	
Execution	1	MSFT	500	$25.01	0		AVG1	A	2		9:45:26
Execution	2	MSFT	200	$25.00	0		AVG1	A	2		9:45:28
Execution	3	MSFT	100	$24.99	0		AVG1	A	2		9:45:30
Execution	4	MSFT	100	$25.02	0		AVG1	A	2		9:45:33
Execution	5	MSFT	100	$25.01	0		AVG1	A	2		9:45:35
Execution	6	MSFT	100	$25.02	0		AVG1	A	2		9:45:37
Execution	7	MSFT	100	$25.01	0		AVG1	A	2		9:45:38

2.3 Large Trader Request by Ticker

Request specifics:

- Ticker Symbol: MSFT
- Trade Date: 110901 (Sept 1, 2011)

Responders: Multiple Clearing Brokers/Self-Clearing Brokers and Prime Brokers.

Response:

- Client Allocations with LTIDs but no execution times
- Executions with execution times and LTIDs for Large Traders that are broker dealers
- Executions with execution times but no LTIDs for institutional client activity processed via an Average Price Processing Account
- Executions from non-Large Traders and Large Traders would be included
- ***Question for SEC: If a broker dealer has no LTID activity for a ticker, should they still respond to this Large Trader Request?***

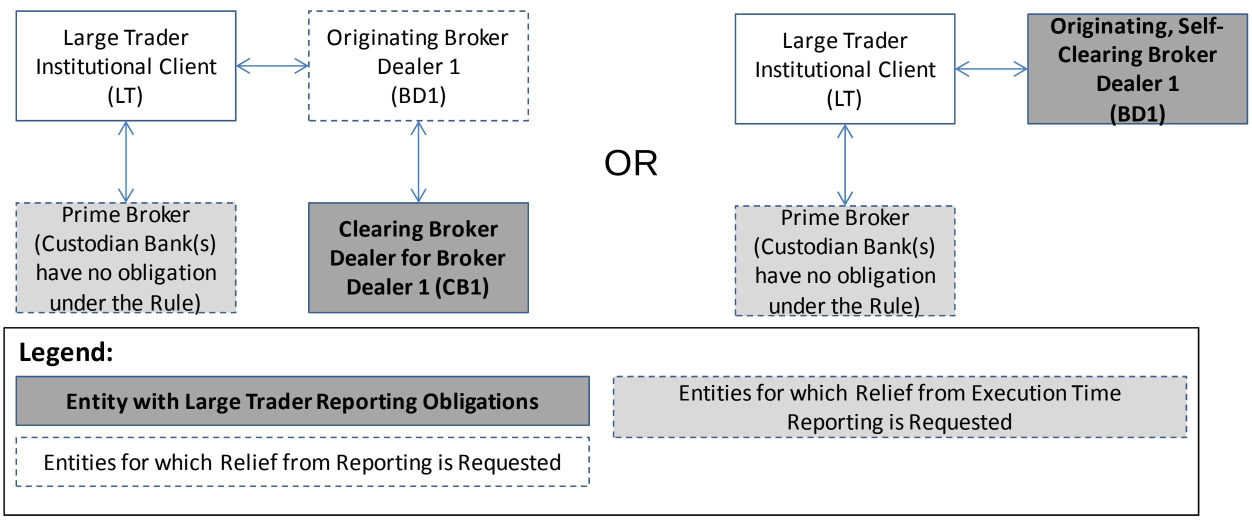
Comment	#	Ticker Symbol	Quantity	Price	Buy/Sell Code	Name & Address Line 1	Account Number	Account Type Indicator	Average Price Account	Large Trader ID	Execution Time
Allocation from Prime Broker	A-1	MSFT	1,000	25.007	0	LT Institution, 444 Maple	PB123	A	1	87654321-0000	
Allocation from Clearing Broker	A-1	MSFT	1,000	25.007	0	LT Institution, 444 Maple	IC123	A	1	87654321-0000	
Execution	1	MSFT	500	$25.01	0		AVG1	A	2		9:45:26
Execution	2	MSFT	500	$25.01	0	LTBD, 111 Main	BD123	P		12345678-0000	9:45:26
Execution	3	MSFT	200	$25.00	0		AVG1	A	2		9:45:28
Execution	4	MSFT	200	$25.00	0	LTBD, 111 Main	BD123	P		12345678-0000	9:45:28
Execution	5	MSFT	100	$24.99	0		AVG1	A	2		9:45:30
Execution	6	MSFT	100	$24.99	0	LTBD, 111 Main	BD123	P		12345678-0000	9:45:30
Execution	7	MSFT	100	$25.02	0		AVG1	A	2		9:45:33
Execution	8	MSFT	100	$25.01	0		AVG1	A	2		9:45:35
Execution	9	MSFT	100	$25.02	0		AVG1	A	2		9:45:37
Execution	10	MSFT	100	$25.01	0		AVG1	A	2		9:45:38

3 Large Trader Reporting Obligations

3.1 Non-Self Clearing, Self-Clearing & Clearing Broker Responsibility

As shown in the figure below, the FIF Large Trader Working Group believes that responsibility for Large Trader Reporting of execution time should rest with self-clearing and clearing broker-dealers. This position is based on several factors discussed in detail below.

Figure 1. Base Case – Institutional Client Large Trader Scenario



Issue: Street-side Executions & Execution Time
Execution times for every street-side execution may not be readily available for all clearing firms as a result of trade compression and/or current EBS infrastructure. Implementation issues include:

- Providing an upload file of uncompressed trades will impact both the non-self clearing broker and their clearing broker dealer. Uncompressed trade files are likely to be many times larger the compressed trade files.
- Originating broker dealer upload files may not include execution time. Some non-self clearing broker dealers will need to modify their systems in order to begin providing execution time to their clearing broker dealers.
- Back-end databases that feed EBS may not currently be capturing execution time.

Current implementations at some large clearing brokers will require significant modification. However, requiring their clients to establish EBS reporting systems is not a better solution. Clearing firms estimate it could cost over $200,000 per firm for non-self clearing firms to implement an EBS reporting system to be used for Large Trader reporting.

Issue: LTIDs Associated with Client Accounts
Clearing brokers of fully disclosed non-self clearing brokers maintain client and proprietary account information on behalf of non-self clearing broker dealers. Providing LTIDs on allocations and non-self-

clearing broker proprietary executions should be the function of clearing brokers. FIF recommends providing non-self clearing firms with relief from both execution time and LTID reporting.

When the originating broker dealer has an omnibus relationship with their clearing broker, clearing brokers will be unable to provide LTID data at a client account level. In those cases it will be necessary to go to the non-self clearing broker dealer for Large Trader Reporting.

SEC Enforcement Perspective

- Relying on clearing brokers minimizes the number of requests and brings the SEC closer to a "one stop shop" for Large Trader Reporting Data
- Self-clearing and clearing brokers have experience with EBS reporting which is likely to minimize confusion and improve responsiveness
- In all scenarios, there is a self-clearing or clearing broker involved in the transaction. There are no concerns even when the Large Trader is using a non-broker dealer to carry their assets.
- Adding execution times to all street-side executions does not address the issue of associating LTIDs with street-side executions when using average price processing accounts.

Industry Perspective

- Firms have implemented their EBS architectures in different ways. While some firms receive 100% street-side executions from their clients, other clearing broker dealers do not receive street-side executions from all of their clients. Even when street-side executions are available adding execution time may be a significant challenge.
- There are also costs to non-self clearing brokers in order to update trade files sent to clearing broker dealers. However, updating trade files will require less effort than establishing an EBS infrastructure themselves.

Summary:

Relying on self-clearing and clearing firms for Large Trader Reporting, while a significant cost for some firms, is the most efficient implementation of the Rule from both an SEC enforcement and industry perspective. FIF recommends providing relief from Large Trader Reporting for non-self clearing broker dealers in a fully disclosed clearing relationship. In cases where an omnibus clearing relationship exists, those non-self clearing firms would need to take on the Large Trading reporting obligation since clearing broker dealers will not have sufficient end-client detail.

3.2 Prime Broker Reporting Responsibility

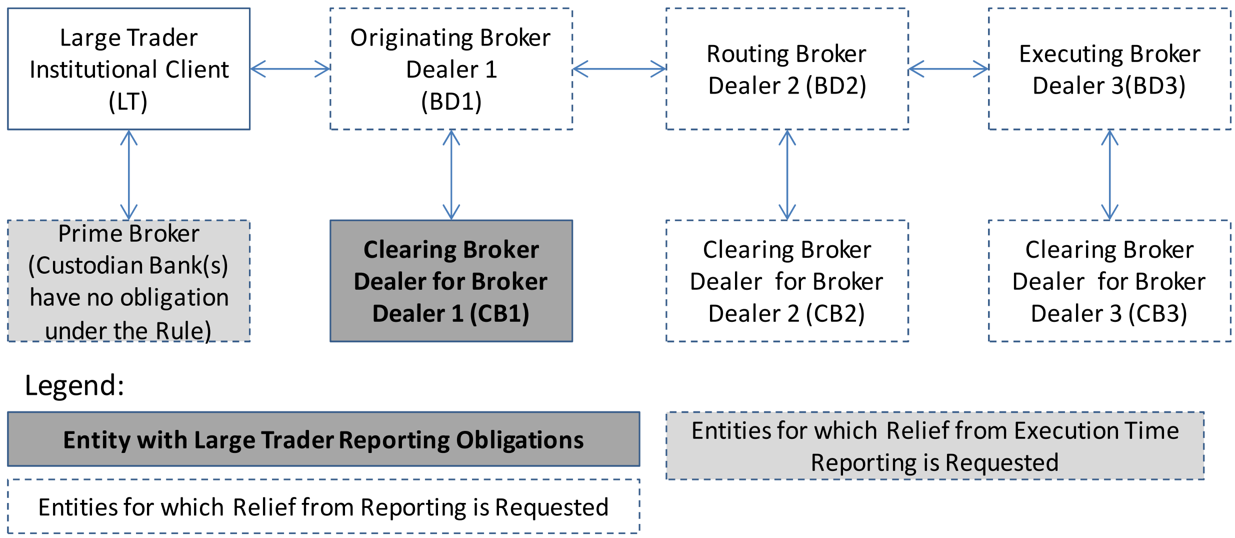
Because the clearing brokers of the originating brokers will have both LTID and execution time information for Large Trader activity, FIF recommends providing prime brokers with relief from execution time reporting. Requiring prime brokers to obtain individual executions and execution times would require significant reengineering of the trade process while only duplicating the execution time information that will be available from clearing brokers.

3.3 Multiple Broker Dealers Effecting Large Trader Transactions

The FIF Large Trader Working Group believes that relying on the self-clearing/clearing broker of the originating broker to respond to Large Trader requests obviates the need to assign any Large Trader responsibility to other broker dealers that may directly or indirectly effect transactions for a Large

Trader. Figure 2 provides a typical scenario where multiple broker dealers are involved in completing an execution for a Large Trader.

Figure 2. Institutional Client Large Trader Scenario with Multiple Broker Dealers Effecting Transaction



SEC Enforcement Perspective

By relying on the self-clearing/clearing broker dealer of the Originating Broker Dealer, the SEC will continue to get the most meaningful information based on Large Traders' accounts with originating broker dealers. This approach has a number of benefits including:

- Minimizes the number of broker dealers required to respond to a request.
- Focuses responses on account activity on the Large Trader's accounts as opposed to operational/settlement accounts at broker dealers that would have many LTIDs associated with them

Issue: Non-Broker Dealer Carrying Large Trader Account

Even when a non-broker dealer carries the account of a Large Trader, the self-clearing/clearing broker of the originating broker dealer can provide street-side executions with execution times inclusive of Large Trader Activity.

Issue: Large Trader Knowledge of Broker Dealers outside Originating Broker Dealer

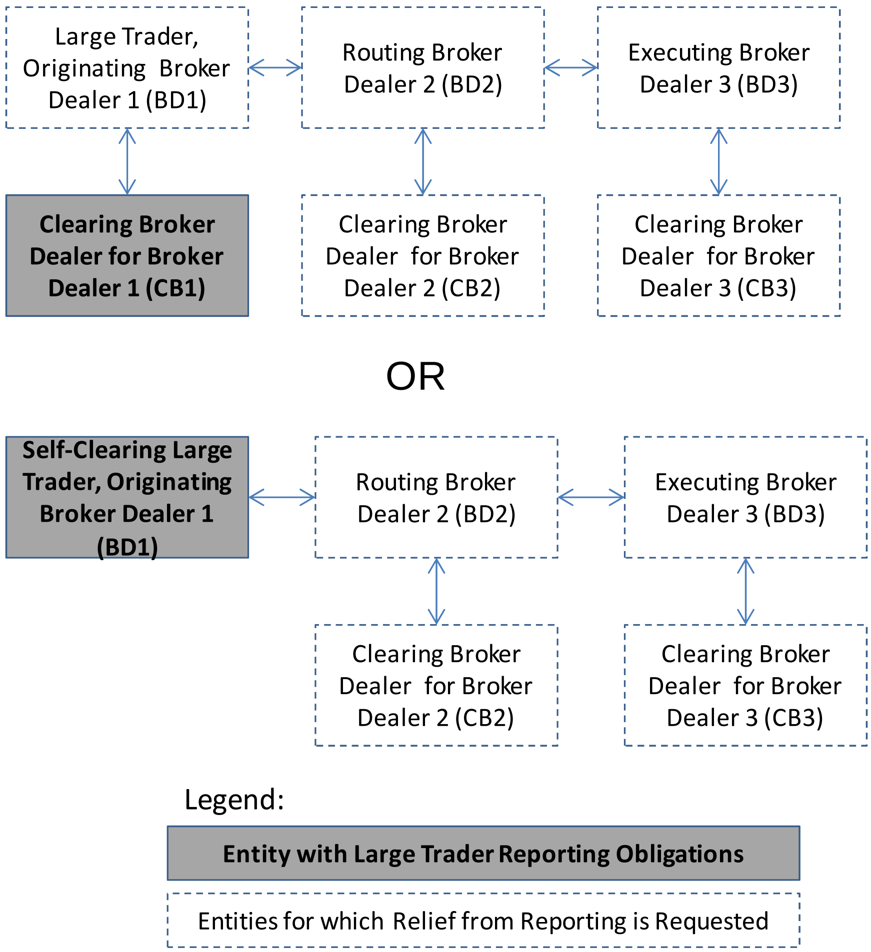
Large Traders only have an account with the Originating Broker Dealer. They do not generally know the routing or executing broker as shown in the scenario. This makes it difficult to indicate to these other broker dealers the account to which their LTID should apply as required by the rule. Issues include:

- There is no mechanism readily available for Large Traders to disclose their LTID to broker dealers outside of the originating broker dealer.
- For originating broker dealers to supply this information to other broker dealers may violate privacy policies
- Large Trader's do not want other broker dealers to be aware of their trading relationships. The current structure serves to maintain their anonymity in the market and reduce market impact

Issue: Lack of Account Structure for Trades Processed via CNS

The Originating Broker Dealer, Routing Broker Dealer and Executing Broker Dealer (BD1, BD2, BD3, respectively) typically have a broker-to-broker relationship. Broker-to-Broker transactions are not structured in a manner similar to client business. No account structure, affirm/confirm process or allocations exist. An account is not maintained at either broker dealer, but an operational/settlement account is maintained by both BDs at DTCC. These operational/settlement accounts include trading activity with multiple counterparties. The number of LTIDs that would be associated with such an account would be significant.

Figure 3. Broker Dealer Large Trader Scenario with Multiple Broker Dealers Effecting Transaction



The same issues exist when the Large Trader is a broker dealer. In these instances, relying on the self-clearing/clearing broker of the Large Trader, Originating Broker Dealer provides the SEC with the Large Trader activity at its most granular level. When the Large Trader is a broker dealer, they would not disclose their Large Trader ID to other broker dealers that they transact with because there is no account maintained with the other broker dealers involved in effecting the transaction.

Industry Perspective

Originating Broker Dealers have a direct relationship with the Large Trader which includes the necessary account structure for capturing LTIDs on accounts. The Routing and Executing Broker Dealers in the scenarios above are not equipped to maintain Large Trader IDs on operational/settlement accounts nor do Large Traders have a mechanism for transmitting data to other broker dealers in the chain.

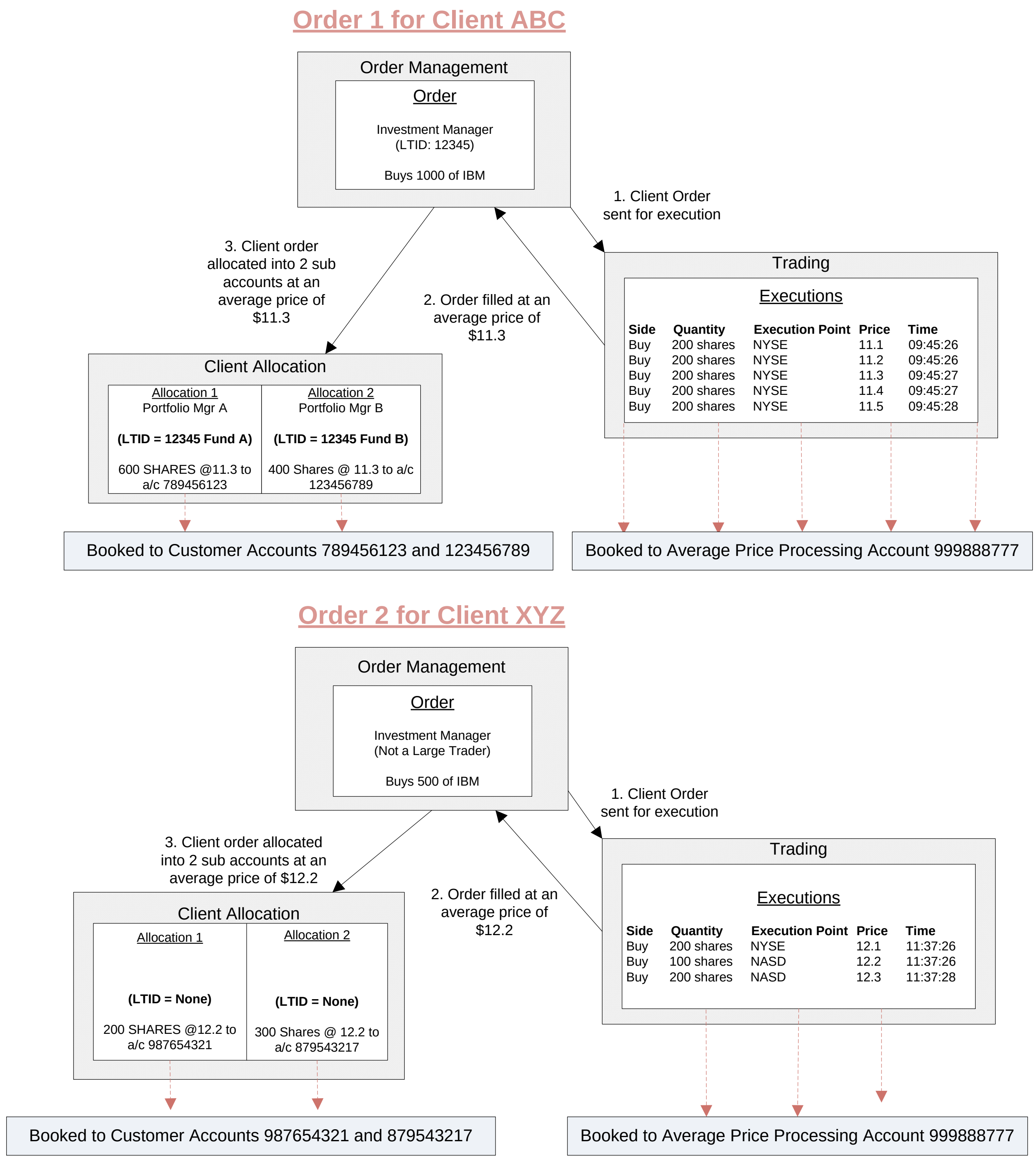
Summary
The SEC should provide relief to broker dealers involved in Large Trader transactions that do not have a direct relationship with the Large Trader. In the event that the Large Trader is a broker dealer, the self-clearing/clearing broker of the Large Trader, Originating Broker Dealer would be considered the broker dealer with the direct relationship to the Large Trader.

3.4 Average Price Processing

Average Price Processing Accounts are accounts at broker dealers used for processing client orders. These accounts may include executions for multiple clients from which allocations are made into client sub-accounts. Average price processing accounts are used by self-clearing broker dealers and non-self clearing broker dealers.

Clients whose orders are processed via Average Price Processing Accounts may receive drop copies for every execution or a single average price execution report. However, the trade will still settle via an average price processing account. Different client order types including market orders, limit orders, VWAP orders, etc. may be processed out of a single average price processing account.

Figure 4. Two Institutional Client Orders filled using an Average Price Account



Issue: Execution Times on Allocations

When a broker dealer receives fills on an institutional order, there is no linking of the execution time of the fills to the allocations which come after the order is filled, occasionally on T+1. This is especially true when institutional orders are bunched before being sent to the market. Additionally, the times at which filled orders are allocated from the broker dealer's average price processing account to the accounts of Large Traders bear no relationship to the execution times of the fills that comprise the allocation. As such, it would be inaccurate to attribute an execution time to allocation transactions.

It has been suggested that the last execution time be used for the allocation. However, it is not possible to determine which execution is the "last execution" for the allocation since multiple orders are processed from a single average price processing account. There is no accurate way to determine which execution was the last with respect to any given allocation since there is no linking of executions to orders or executions to allocations in an average price processing account. There is often a many-to-many relationship between orders, executions and allocations. As is the case in the scenario above, where two orders are filled by eight executions resulting in four allocations out of a single average price account.

FIF recommends including LTIDs on allocations but leaving the execution time blank on Large Trader Reports.

Issue: LTIDs on Street-side Executions associated with Average Price Accounts

While it is possible to add execution times to street-side executions, the processing of multiple client orders in a single average price processing account makes it impossible to determine which Large Trader is associated with an execution. As in the scenario above, executions of Large Traders and non-Large Traders are processed in the same account. FIF recommends leaving the LTID blank on street-side executions from average price accounts which would result in a Large Trader report like the figure below:

Proposed Large Trader Report (with select fields)

Comment	Submitting Broker Number	Opposing Broker Number	Ticker Symbol	Quantity	Price	Buy/Sell Code	Exchange Code	Short Name Field	TIN 1	Account Type Indicator	Account Number	Average Price Account	Large Trader ID	Execution Time
Client Allocation	1234		IBM	600	11.3	0		Client ABC - Fund A	123456789	A	789456123	1	12345 Fund A	
Client Allocation	1234		IBM	400	11.3	0		Client ABC - Fund B	123456789	A	123456789	1	12345 Fund B	
* Street Side Execution	1234	0787	IBM	200	11.1	0	A	Customer CONTROL ACCOUNT	951357852	A	999888777	2		09:45:26
* Street Side Execution	1234	0787	IBM	200	11.2	0	A	Customer CONTROL ACCOUNT	951357852	A	999888777	2		09:45:26
* Street Side Execution	1234	0787	IBM	200	11.3	0	A	Customer CONTROL ACCOUNT	951357852	A	999888777	2		09:45:27
* Street Side Execution	1234	0787	IBM	200	11.4	0	A	Customer CONTROL ACCOUNT	951357852	A	999888777	2		09:45:27
* Street Side Execution	1234	0787	IBM	200	11.5	0	A	Customer CONTROL ACCOUNT	951357852	A	999888777	2		09:45:28
* Street Side Execution	1234	0787	IBM	200	12.1	0	A	Customer CONTROL ACCOUNT	951357852	A	999888777	2		11:37:26
* Street Side Execution	1234	0787	IBM	100	12.2	0	R	Customer CONTROL ACCOUNT	951357852	A	999888777	2		11:27:26
* Street Side Execution	1234	0787	IBM	200	12.3	0	R	Customer CONTROL ACCOUNT	951357852	A	999888777	2		11:37:28

* Unable to link streetside executions to client allocations in current infrastructure for Large Trader Requirements

SEC Enforcement Perspective
As discussed below, it would be misleading to have an execution time associated with allocations and LTIDs on street-side executions given the way average price processing works today. However, the absence of LTIDs on street-side executions would mean that Large Trader Reports would include all street-side executions as they do today.

The SEC would have considerably more information than it does today with respect to Large Trader and general market activity. The addition of execution time on street-side executions and LTIDs on allocations would allow the SEC to determine the following:

- Which Large Traders were active in a security for any given day and the broker dealers responsible for executing their trades
- Which broker dealers were trading a security at a particular time and the extent to which they engaged in trading that day on behalf of a Large Trader. This will be especially useful in cases where the broker dealer is working a client order and is responsible for both the order type and timing of the orders.

Industry Perspective
The practice of using average price processing accounts is common throughout the industry. To assess the extent of average price processing, the FIF suggests that the SEC or ISG review recent Blue Sheet submissions and determine the extent to which Blue Sheet records are associated with a 1 or 2 in the Average Price Account field.

If the SEC accepts the FIF recommendations to allow LTID to be left blank on executions and allow execution time to be left blank on allocations, average price processing accounts will continue to function as they do today. Without such accommodation, a significant re-engineering project will be required that would impact front, middle and back office systems. Both dismantling the average price processing account structure or incorporating the LTID at the transactional level are massive projects that would require significant business analysis in order to accurately assess implementation methodology and timeframe. These changes would impact non-self clearing, self-clearing and clearing firms that use average price processing accounts for client trading.

Implementation issues with associating LTIDs on executions currently associated with average price processing accounts may include:

- Re-considering the use of real-time drop copies in favor of fills from non-self clearing brokers provided at the end of the day with LTIDs
- Changes to capture LTID on trading and back office systems including interfaces between systems at non-self clearing, self-clearing and clearing firms
- Changes to account structure and transactional data will be required by some firms.
- Workflow changes to accommodate bunched order processing
- Controls to prevent information leakage of LTID if placed on the order for Large Trader Reporting purposes.

Summary
FIF recommends accommodation for average price processing accounts as follows:

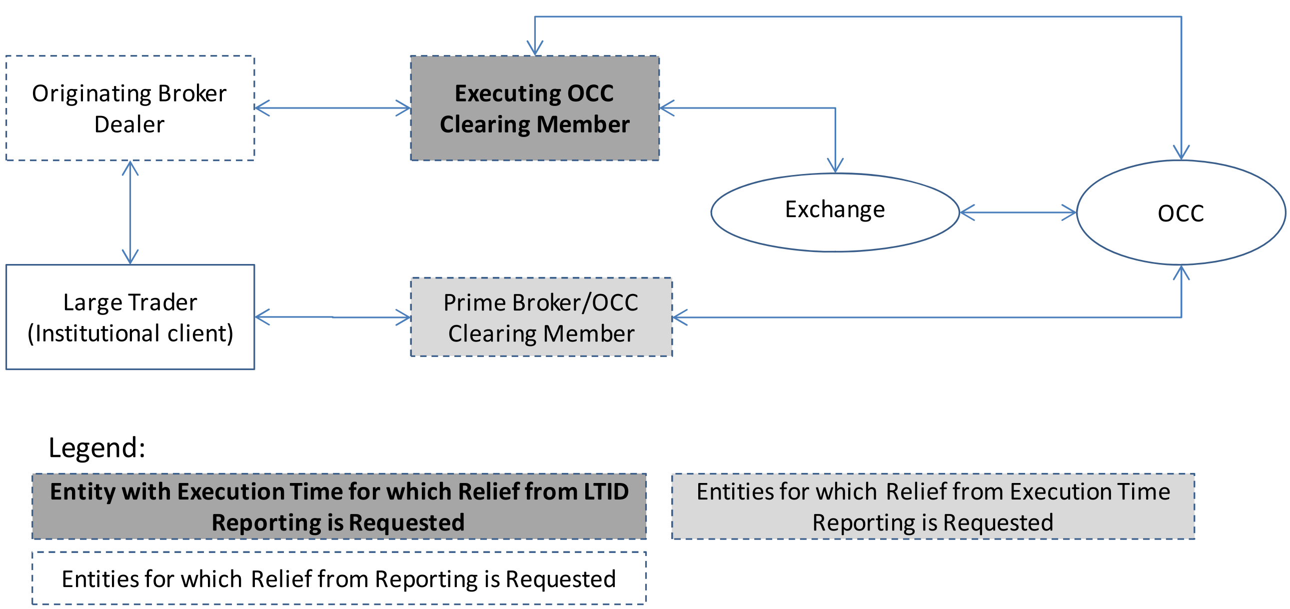
- Allow execution times to be left blank on allocations associated with average price processing accounts
- Allow LTIDs to be left blank on street-side executions associated with average price processing accounts

4 Equity/Options Scenarios Where Clearing Responsibility is Transferred

There are a few scenarios where the originating broker dealer's clearing broker is not the clearing broker that is responsible for clearing the trade. In these scenarios, responsibility for clearing is transferred to another clearing member. These scenarios include CMTA trades, step-outs, correspondent clearing flips, and give-ups. The mechanics of the transfer process differ in each of these scenarios but for the purposes of Large Trader reporting requests the outcome is the same: one clearing member has the executions and execution times and another clearing member has the allocations with LTIDs.

For the purposes of this discussion, we will focus on CMTA option trades as illustrated in the figure below.

Figure 5. CMTA (Clearing Member Trade Agreement) Example



1. Originating Broker Dealer places an order with executing/clearing broker dealer without revealing their Large Trader client's identity.
2. Executing/OCC Clearing Member executes order on exchange
3. Originating Broker Dealer provides CMTA instructions to the Executing OCC Clearing Member.
4. Executing OCC Clearing Member transfers position to Prime Broker/OCC Clearing Member.
5. Prime Broker/OCC Clearing Member identified in the CMTA instruction clears and settles the trade.

The Prime Broker has the necessary information to associate LTIDs with allocations. However, they will not have execution information since that information is not passed by OCC. There is no mechanism for passing execution detail to the Prime Broker. The Executing OCC Clearing Member has the ability to report executions with execution time but would not be able to associate those executions with an LTID since the Executing OCC Clearing Member has no knowledge of the Large Trader.

SEC Enforcement Perspective

In these scenarios, Large Trader Requests by LTID would result in allocation level detail from the Prime Broker/OCC Clearing Member. The Prime Brokers would have the ability to identify the Executing Clearing Member who could subsequently submit executions with execution times for all activity in a ticker, inclusive of the Large Trader activity. Responses to Large Trader Requests that include CMTA activity will be noticeable in that only a Prime Broker will be reporting an allocation as opposed to both a Clearing Broker and a Prime Broker. In those cases a subsequent inquiry to the contra-broker identified on the Large Trader Request would yield all of the trading activity in that option for that day.

FIF Recommendation

In cases where the clearing member associated with the executions is different from the clearing member performing the clearing and settlement of the trade, FIF recommends:

- Relief from execution time reporting for the clearing member responsible for performing clearance and settlement. This clearing member would supply LTIDs on allocations but no execution information.
- Relief from LTID reporting for the clearing member associated with executions.

5 Conclusion

Based on the analysis above, FIF recommends the following areas of relief/accommodation:

- Large Trader Reporting Obligation
  - Allow clearing brokers to respond to Large Trader requests on behalf of their fully disclosed clients
  - Provide relief from execution and execution time reporting for Prime Brokers
  - Allow sufficient time for the implementation effort associated with including executions and execution times on Large Trader Reporting requests
  - Provide relief to broker dealers involved in Large Trader transactions that do not have a direct relationship with the Large Trader.
- Average Price Processing Accounts
  - Allowing execution time to be blank on allocations. (Allocations would include LTID)
  - Allowing LTID to be blank on street-side executions. (Street-side Executions would include execution time.)
- Equity/Options Scenarios Where Clearing Responsibility is Transferred
  - Allow the clearing member associated with the executions relief from supplying LTID information
  - Allow the clearing member associated with clearing and settlement relief from supplying execution information including execution time.

Without the accommodation/relief requested, the implementation complexity, cost and time required increases significantly for a significant portion of the industry. Additionally, in the absence of guidance and detailed technical specifications, FIF members are extremely concerned that firms will make differing assumptions that will compromise the quality of the data generated in response to Large Trader requests. We urge the Commission to work with the industry in understanding and resolving these important issues.

6 Appendix. Definitions for Terms Used in Equity Scenarios & Discussion

Average Price Processing Accounts – Average Price Processing Accounts are accounts at broker dealers used for processing client orders. These accounts may include executions for multiple clients from which allocations are made into client sub-accounts. Average price processing accounts are used by self-clearing broker dealers and non-self clearing broker dealers.

Clients whose orders are processed via Average Price Processing Accounts may receive drop copies for every execution or a single average price execution report. However, the trade will still settle via an average price processing account. Different client order types including market orders, limit orders, VWAP orders, etc. may be processed out of a single average price processing account.

Average Price Trade Compression – Average Price Trade Compression is a process by which trades between a broker dealer and another market participant in the same security at the same price or multiple prices are compressed to a single, aggregate trade. A broker dealer may have average price compression arrangements with multiple broker dealers.

Clearing Broker Dealers – Clearing Broker dealers are broker dealers that are members of DTCC that offers clearing services to other broker dealers. Currently, clearing broker dealers report Blue Sheets on behalf of their broker dealer clients.

Client-Side Processing – Client-side processing refers to the clearance and settlement processing between institutional clients and the clearing arm of originating broker dealers (i.e., the clearing broker dealer of the originating broker dealer or the broker dealer themselves if they are self-clearing).

CMTA – CMTA stands for Clearing Member Trade Agreement. In CMTA processing one clearing member transfers exchange transactions to the account of another clearing member for the purposes of clearance and settlement.

CNS – CNS stands for Continuous Net Settlement and is the DTCC system used to process street-side executions.

Comparison – Comparison is the process by which two broker dealers agree to trade details. When broker dealers trade with each other they do not engage in a confirm/affirm process.

Confirmation – Confirmation is the process by which a broker dealer and their institutional client confirm trade details. This process is done through the ID system.

Correspondent Clearing Flip – Correspondent Clearing Flips are trade capture position movements that move a position from an executing broker's account to a different clearing broker's account.

Custodian Bank – Non-broker dealer with no obligation under the Large Trader Reporting Rule. Traditional investment managers typically settle their clients' trades at custodian banks as opposed to prime brokers.

Executing Broker Dealer – The Executing Broker Dealer is the broker dealer executing the order. Executing broker dealers can be dark pools, market makers or agency broker dealers that have obtained executions at exchanges. Broker dealers can serve in multiple capacities including originating the order, routing the order to another broker dealer and/or executing the order depending on the particular facts and circumstances of a transaction.

Fully-disclosed Clearing Relationship – In a "fully disclosed" relationship, the broker dealer using a clearing broker dealer discloses the identity and other relevant information regarding their clients to the clearing broker.

Give-up – Give-ups are a post-trade process by which an executing clearing member transfers a position to another clearing member for the purposes of clearance and settlement. In some cases, the clearing member accepting the give up confirms the give-up before the transfer is complete.

ID – ID stands for Institutional Delivery and is the DTCC system used for client-side processing.

Institutional DVP/RVP – Institutional DVP/RVP refers to the manner of settlement for institutional accounts. Note: Some broker to broker interaction is settled Institutional DVP/RVP.

Large Trader Broker Dealer – Large Trader Broker Dealers are U.S. registered broker dealers that meet the Rule's definition of Large Trader. Most Large Trader Broker Dealer trades are processed via CNS.

Large Trader Institutional Client – Any non-U.S. registered broker dealer client of a broker dealer including hedge funds, traditional investment managers and foreign broker dealer trades. Institutional client trades are processed using the ID system.

Non-Self-Clearing Broker Dealer – Non-Self Clearing Broker Dealers rely on Clearing Broker Dealers for "clearing services" including back office and related recordkeeping functions.

Omnibus Clearing Relationship – In an "omnibus" relationship, the identity and other relevant information regarding the client is maintained by the broker-dealer that uses the services of the clearing broker and is not disclosed to the clearing broker.

Originating Broker Dealer – The Originating Broker Dealer is the broker dealer with the direct relationship with the Large Trader. This firm is often referred to as an Introducing Broker. However, the Introducing Broker may also be an executing broker so for the purposes of this discussion the term originating broker dealer will be used. Broker dealers can serve in multiple capacities including originating the order, routing the order to another broker dealer and/or executing the order depending on the particular facts and circumstances of a transaction.

Prime Brokers – Prime Brokers are registered broker dealers and provide many front and back office services to their hedge fund clients. For the purposes of this discussion, it is important to note that prime brokers have access to the clearing activity but not the individual executions of their institutional clients.

Routing Broker Dealer – For the purposes of the scenarios in this document, Routing Broker Dealers are broker dealers whose role in a transaction is to route an order rather than execute the order. Broker dealers offering algorithms or using dark pools would be considered Routing Broker Dealers. Broker dealers can serve in multiple capacities including originating the order, routing the order to another broker dealer and/or executing the order depending on the particular facts and circumstances of a transaction.

Step-outs – Step-Outs are a clearing or accounting entry made for the purposes of moving a position. A Step-Out may be used for the transfer of a position as part of a customer directed allocation, as is commonly accepted as part of the service a broker executing a trade(s) for a buy-side firm might be expected to provide; allocating portions of a position to various brokers at the direction of the customer. Additionally, a Step-Out may be used for the transfer of all or a portion of a firm's position at one clearing broker to another clearing broker.

Street-side Executions – Street-side Executions refers to the clearance and settlement processing between the clearing arm of two broker dealers (i.e., the clearing broker dealer of the originating broker dealer or the broker dealer themselves if they are self-clearing). For trades done on an exchange, the exchange facilitates the street-side execution processing by submitting a "locked-in" trade to CNS.