# **Broker-Dealer Alert**

### A bi-weekly publication from the Accordo Team

Feb 20, 2018

## Consolidated Audit Trail - SEC Rule 613

The Securities and Exchange Commission approved Rule 613 requiring FINRA to submit a National Market Systems (NMS) plan to establish a consolidated audit trail (CAT) that enables regulators to effectively track, monitor and analyze trade activity in the United States. The CAT plan requires FINRA members to:

- deliver certain data, including customer and price, daily to a centralized and complete data repository regarding NMS securities;
- provide prescribed data by 8:00 AM EST the next trading day such that it is easily accessible to regulators;
- report all events to the repository such that they may be linked to and tracked through the trade order life cycle;
- assign unique codes to each account holder, or any person legally allowed to make trades in a customer's account without prior consultation, to maintain a consistent identity in the repository.

Deadline for SROs to implement an updated surveillance system (Jan 15, 2018) with large broker-dealers to begin reporting data (Nov 15, 2018); small broker-dealers begin reporting data (Nov 15, 2019)

#### **Key Considerations for U.S. Broker Dealers:**

- Existing reporting requirements will remain in effect until CAT data reporting meets the minimum proposed standards; firms should anticipate duplicative reporting to extend for an undetermined length of time.
- Due to the sensitive and centralized nature of the data, the plan requires certain levels of security and encryption for all CAT data throughout its life cycle, which will be evaluated annually to determine whether the security standards are still up-to-date and/or applicable.
- Firms should review data systems and reporting capabilities by conducting a gap analysis to identify limitations under the current plan infrastructure, and with foreseeable changes to firm data.
- With the anticipated requirements surrounding data collection, reporting and retention firms must develop a reporting framework leveraging industry-wide best practices and implement these processes with a cultural focus on secure data management, maintenance and control.
- Establish ongoing automated, repeatable and sustainable testing on a periodic basis to capture issues caused by technology, regulatory or business-related change management.

# Accordo Engagement Approach for CAT (Rule 613) Compliance

Accordo can help financial services firms enhance their Compliance Programs, data governance, and target operating models for regulatory reporting. Accordo can also help firms through the CAT implementation, including program management, scoping and rollout, controls assessment and pre- and post-implementation testing.

#### **Engage** Assess **Deliver** Report • Develop implementation · Analyze regulation and CAT • Coordinate test plan creation · Format and report CAT data plan with critical deliverables Technical Specifications for in a timely and accurate to determine coverage of manner based on SECand milestones while controls mapping functional and non-functional identifying high-level program requirements approved technical risks and key dependencies · Identify current state of key specifications · Update or develop data elements across ecosystem, and related regulatory operational and technology · Provide daily reporting for · Develop governance new and updated customer structure and integrate with reporting infrastructure processes/ controls for efficient exception handling, information existing regulatory change framework and impacted BAU · Perform gap analysis of communications and escalation current state reporting (OATS · Assist with testing of CAT functions mechanisms for errors in CAT / CAT / COATS as needed) reporting prior to go-live using reporting · Assist with a process to Accordo data validation and with recommended action uniquely identify each plans including new field trade reporting tools · Identify and store applicable customer capture analysis data points and events, including products and events · Provide consolidated and not currently captured in accurate information for each OATS, e.g., listed options, customer initially and on an market-making quotes, postongoing basis execution allocations