

Broker-Dealer Alert

A bi-weekly publication from the Accordo Team

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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.

