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# Industry Member CAT Report Card Overview

December 16, 2020

# Agenda

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- **Report Card Scope**
- **Report Card Processing Overview**
- **Compliance Go-Live Requirements**
- **Report Card Sections**
  - **Compliance Summary**
  - **Event Details**
  - **Information Not Included in Error Rate (Named Errors)**
- **Known Data Issues**
- **Report Card Glossary Updates**
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# Scope of Report Card

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## ➤ November 2020 Report Card Updates

### ➤ **Equities:**

- Interfirm, Exchange and TRF Trades Linkage Statistics
- Updated Compliance Error Rate Calculation

Material not covered in today's webinar: Changes for January 2021 Report Card

### ➤ **Options:**

- Interfirm and exchange linkage statistics
- Updated Compliance Error Rate Calculation

# Report Card Processing Overview

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- The Report Card includes event records with trade dates (during the Report Card month) up to and including those event records processed by the fifth processing day of the following month.

Event Records include all New Event (“NEW”), Corrected (“COR”), Repaired (“RPR”) and Delete (“DEL”) records

- Statistics are by Firm (CRD) and Product Type (Equities/Options)
- Errors that are NOT repaired by the fifth processing date of the following month are considered Outstanding (“unrepaired”)
- Report Cards are a snapshot as of the fifth processing date of the following month

# Compliance Go-Live Requirement RC Timeline

Monthly Report Card for	Statistics Reported
July 2020	Equities: Ingestion Statistics
August 2020	Equities and <b>Options</b> : Ingestion Statistics Equities: <b>Intrafirm Linkage Statistics</b>
September 2020 and October 2020	Equities and Options: Ingestion Statistics Equities and <b>Options</b> : Intrafirm Linkage Statistics
November 2020 and December 2020	Equities and Options: Ingestion Statistics Equities and Options: Intrafirm Linkage Statistics <b>Equities: Interfirm, Exchange and TRF Trades Linkage Statistics</b>
January 2021 and beyond	Equities and Options: Ingestion Statistics Equities and Options: Intrafirm Linkage Statistics Equities and <b>Options</b> : Interfirm, Exchange and TRF Trades Linkage Statistics <b><i>Overall Summary across all Product Types</i></b>

# Report Card Sections

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Industry Member Report Cards Contain Three Sections:

1. Compliance Summary
2. Event Details
3. Information Not included in Compliance Rate (*e.g.*, Named Errors)

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# Compliance Summary

# Report Card – Compliance Summary

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## Firm Compliance Error Count:

- Late Records
- Unrepaired Rejections Records
- Unrepaired Out Of Sequence Records
- Unrepaired Intrafirm Unlinked Records
- Unrepaired Interfirm Unlinked and Linkage Key Duplicate Records
- Unrepaired Exchange Unlinked and Linkage Key Duplicate Records
- Unrepaired TRF Unlinked and Linkage Key Duplicate Records

# Report Card Compliance Error Rate Calculation

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Firm Compliance Error Rate:

$$\frac{\text{Compliance Error Count}}{\text{Processed Record Total}} = \text{Compliance Error Rate}$$

***Named Errors are NOT included in the Compliance Error Rate***

# Compliance Error Rate Calculation Update

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➤ **Records in the Error Count are a distinct count of event records**

➤ For example:

Record 1234 - Late

Record 1234 - Out of Sequence Error

Record 1234 - Interfirm Unlinked Error

While the individual errors are included in each relevant section of the Event Details, only one error is included in the Compliance Error Rate Calculation

- Unrepaired Out Of Sequence Records: 1
- Late Records: 1
- Unrepaired Interfirm Unlinked: 1

➤ **Compliance Error Total Record Count = 1**

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# Event Details

# Event Statistics

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## Interfirm, Exchange and TRF Trades Linkage Statistics

### ➤ **November 2020 Report Card Updates**

- **Equities:** Routed and Received Order Event records statistics reported for:
  - Interfirm Linkage – Routes (Routed Order Events)
  - Interfirm Linkage – Order Accept/Modify (Received Order Events)
  - Exchange Linkage – Routes (Routed Order Events)
  - Exchange Linkage – Outbound Router BD Accept/Modify (Received Order Events)
  - TRF Trades Linkage – Trade Events to TRF/ORF

# Interfirm, Exchange and TRF Trades Linkage Statistics

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## New Linkage Categories Added for November:

- ▶ Key Duplicate Counts and Rates
- ▶ Repaired Duplicate Counts and Rates
- ▶ Unlinked Counts and Rates
- ▶ Repaired Unlinked and Rates

**Key Duplicates:** Errors assigned when a CAT Reporter submits a route, trade, accepted, or modified event with a duplicate Linkage key. Duplication of Linkage Keys will result in unlinked errors for all records having the same key.

# Interfirm, Exchange and TRF Trades Linkage Statistics

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## ➤ Linkage Rates For Each New Linkage Category

$$\frac{\text{Linkage Key Duplicates}}{\text{Linkage Eligible Events}} = \text{Linkage Key Duplicate Rate}$$

$$\frac{\text{Unlinked Event Records}}{\text{Linkage Eligible Events}} = \text{Linkage Rate}$$

$$\frac{\text{Repaired Unlinked Events}}{\text{Unlinked Events}} = \text{Repaired Rate}$$

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# Report Card Error Calculation Examples

# Report Card Error Calculation Example 1

In November, Industry Member A submits a total of 10 MEORs including 9 original submissions of routes to Industry Member B and 1 correction for a route to Industry Member B. For purposes of illustration, it is assumed this is the only activity included in Industry Member A's November Report Card

▶ **Of the 9 original MEOR submissions, there were**

- 1 Route Key Duplicate
- 3 Unlinked Routes
- 5 Routes were linked

**Repairs:**

- 1 Unlinked Route repaired by Industry Member A successfully on T+10 (Late repair within the month)
- 1 Unlinked Route repaired by Industry Member B on T+2
- 1 Unlinked Route repaired by Industry Member B on T+10 (Late repair by Industry Member B within the month)
- 1 Route Key Duplicate *not repaired by fifth processing day of the following month*

▶ **The November Report Card shows for Industry Member A:**

**Compliance Summary**

Total Processed = 10 (9 original route submissions plus 1 submitted corrected Route Event)

Compliance Errors = 2 (1 Unrepaired Route Key Duplicate + 1 Late Route Correction)

Compliance Error Rate = 20%

**Event Details**

Interfirm Route Key Duplicate – 1

Interfirm Route Key Duplicate Repaired - 0

Interfirm Unlinked – 3

Interfirm Unlinked Repaired – 3 (NOTE this count includes repairs made by Industry Firm A and B)

Late =1 (NOTE this count represents the late repair made by Industry Member A on T+10)

Late rate =10%

# Report Card Error Calculation Example 2

In November, Industry Member A submits a total of 10 MEORs including 9 original submissions of routes to Industry Member B and 1 correction for a route to Industry Member B. For purposes of illustration, it is assumed this is the only activity included in Industry Member A's November Report Card

▶ **Of the 9 original MEOR submissions, there were**

- 1 Route Key Duplicate
- 3 Unlinked Routes
- 5 Routes were linked

**Repairs:**

- 1 Unlinked Route repaired by Industry Member A successfully on T+10 (Late repair within the month)
- 1 Unlinked Route against counterparty Firm B that was not repaired by the fifth processing day of December
- 1 Unlinked Route repaired by Industry Member B on T+10 (Late repair by Industry Member B within the month)
- 1 Route Key Duplicate *not repaired* by fifth processing day of the following month

*In this scenario Firm A determined the outstanding unlinked route with counterparty B was due to a Firm B error.*

▶ **The November Report Card shows for Industry Member A:**

Total Processed = 10 (9 original route submissions plus 1 submitted corrected Route Event)

**Compliance Summary**

Compliance Errors – 3 (1 unrepaired Key Duplicate +1 late correction and 1 unlinked) late repair by Firm B not included as a late correction for Firm A

Compliance Rate:  $3/10 = 30\%$

**Event Details**

Interfirm Route Key Duplicate – 1

Interfirm Route Key Duplicate Repaired - 0

Interfirm Unlinked – 3

Interfirm Unlinked Repaired – 2

Late =1 this count represents the late repair made by Industry Member A on T+10)

Late rate =10%

# Report Card Error Calculation Example 3

In November, Industry Member A submits a total of 10 MEORs including 9 original submissions of routes to Industry Member B and 1 correction for a route to Industry Member B. For purposes of illustration, it is assumed this is the only activity included in Industry Member A's November Report Card

▶ **Of the 9 original MEOR submissions, there were**

- 1 Route Key Duplicate
- 3 Unlinked Routes
- 5 Routes were linked

**Repairs:**

- 1 Unlinked Route repaired by Industry Member A successfully on T+2
- 2 Unlinked Routes against counterparty Firm B with an unsuccessful repair on T+2 generating the same error code as original unlinked error and then a successful repair on T+10.
- 1 Route Key Duplicate *not repaired by fifth processing day of the following month*

*In this scenario Firm A determined the outstanding unlinked route with counterparty B was due to a Firm B error.*

▶ **The November Report Card shows for Industry Member A:**

Total Processed = 10 (9 original route submissions plus 1 submitted corrected Route Event)

**Compliance Summary**

Compliance Errors – 1 (1 unrepaired Key Duplicate – 2 late repairs by Firm B not included as a late correction for Firm A)

Compliance Rate:  $1/10 = 10\%$

**Event Details**

Interfirm Route Key Duplicate – 1

Interfirm Route Key Duplicate Repaired - 0

Interfirm Unlinked – 3

Interfirm Unlinked Repaired – 3

Late =0

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## Data Provided for Informational Purposes - Named Errors

# Linkage Named Errors Statistics

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The Industry Member Report Card provides Named Errors for informational purposes. Named Error is assigned when the CAT Reporter was named in record submitted by another CAT Reporter in:

- ▶ Interfirm Routes
- ▶ Interfirm Accept/Modify
- ▶ Exchange Accept/Modify
- ▶ TRF Trades
- ▶ Named by an Exchange in an Exchange Outbound Route

# Named Errors: Future Enhancements

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## ➤ **Current State**

- An Industry Member will not receive a Report Card if the Industry Member did **not** submit any events for the month
- Industry Members without any submitted records Firms may have Named Errors and no Report Card

## ➤ **Under consideration**

- Produce a Report Card for Industry Members with only Named Errors **OR**
- Provide some other type of notification for Industry Members with only Named Errors

# Report Card

## Open Calculation Issues List – As of 12/15/2020

Sr. No.	Summary	Impact	Scope	Impacted Dates	Resolution	Target Resolution Date	# of Firms Impacted in November
1)	Repairs not reflected in very limited cases. Still researching root cause.	Error rate is overstated	De minimis impact to overall compliance error rate	July – present	Go-forward fix	TBD	15
2)	Unique ROE IDs that are unlinked for multiple reasons on different processing dates are improperly counted once per processing date. Please note unique ROE IDs that are unlinked for multiple reasons on the same processing date are correctly counted once.	Error rate is overstated	De minimis impact to overall compliance error rate	August – present	Go-forward fix	TBD	92
3)	Improperly excluding counts for events occurring on the first trade day of a month, and reported early, such that the event was received on the last processing date of the prior month.  For example, event occurs on 12/1/2020 at 5am, and is reported to CAT on 12/1/2020 before 8am, which is the processing date for CAT Trading Day of 11/30/2020.	Events and any related errors are excluded from the report card.	De minimis impact to overall compliance error rate	July – present	Go-forward fix	TBD	3

# Report Card Glossary Update

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- FINRA CAT updated the Industry Member Compliance Report Card to reflect the changes to the November Report Cards. Updates include:
  - Interfirm, Exchange and TRF Trades Linkage Statistics
  - Compliance Error Records Count Calculation

<https://www.catnmsplan.com/industry-member-compliance-glossary>

# How to Ask a Question during Today's Call

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## ➤ **For participants using computer audio:**

- Click the “Raise Hand” button at the bottom of the participant's window
- A visual prompt will indicate that your line has been unmuted

## ➤ **For participants using phone audio:**

- Enter \*9 on your phone keypad
- An audio prompt will indicate that your line has been unmuted

# FINRA CAT Helpdesk

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Questions may be directed to the FINRA CAT Helpdesk at 888-696-3348 or [help@finracat.com](mailto:help@finracat.com)