



# OATS Retirement – Status Update

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May 20, 2021

# OATS Retirement - Agenda

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# Rule and Requirements

- On November 30, 2020, the SEC approved FINRA's filing (SR-FINRA-2020-024) to eliminate the OATS rules once members are effectively reporting to CAT and CAT's accuracy and reliability meet certain standards.
  - FINRA Rule 7400 Series (Order Audit Trail System)
  - FINRA Rule 4554 (Alternative Trading Systems — Recording and Reporting Requirements of Order and Execution Information for NMS Stocks)
  
- Before OATS can be retired, CAT needs to achieve a sustained error rate for Industry Member reporting in each of the categories below—for a period of at least 180 days—of 5% or lower, measured on a pre-correction (or as-submitted basis) and 2% or lower on a post-correction basis (measured at T+5):
  - Rejection rates and data validations
  - Intra-firm linkages
  - Inter-firm linkages
  - Order linkage rates
  - Exchange and TRF/ORF match rates

# Rule and Requirements

- In addition to the maximum error rates and matching thresholds, FINRA's use of CAT Data must confirm that:
  - There are no material issues that have not been corrected (e.g., delays in the processing of data, issues with query functions, etc.)
  - CAT includes all data necessary to allow FINRA to continue to meet its surveillance obligations
  - Plan Processor is sufficiently meeting its obligations under the CAT NMS Plan relating to the reporting and linkage of Phase 2a Industry Member Data
- Once FINRA has determined that these accuracy and reliability standards have been met, FINRA will:
  - File a separate rule filing for immediate effectiveness
  - Publish a *Regulatory Notice* announcing the implementation date

# Current Status

- Sustained Industry Member CAT Error Rates—for a period of at least 180 days—of 5% or lower, measured on a pre-correction (or as-submitted basis) and 2% or lower on a post-correction basis (measured at T+5) for in each of the 5 categories.
  - For the period of October 26, 2020 through May 17, 2021, the error rates for each of the 5 categories are substantially below the thresholds required for retirement.
- FINRA is continuing to evaluate the non-statistical factors including:
  - The transition of CAT Plan Participant reporting using the standardized Plan Participant reporting specifications.
  - FINRA has begun the process of transitioning our surveillance patterns to use CAT data.
  - The ability to efficiently use CAT data to meet regulatory obligations.
- While a formal OATS retirement date has not yet been established, it will be no earlier than the end of June 2021.

# Technical Considerations

- **Technical Dependency Considerations** - Consider the following steps as you think about getting prepared:
  - For those that use a dedicated network for OATS reporting:
    - You may want to confirm it's not shared with other regulatory connections you have with FINRA.
    - Think about looking at your network agreement if you need to terminate that connection.
  - Consider reviewing your network firewall rules.
  - Consider when you need to notify your firms SAA (Account Admins) as they may need to make entitlement changes.
  - Notifying other service providers that support your OATS reporting (such as OSO).

# Looking Ahead

- FINRA will provide additional monthly updates at the end of CAT's Monthly Implementation Update calls
- In the interim, if you have additional questions, please contact the OATS Help Desk via e-mail at [customersupport@finra.org](mailto:customersupport@finra.org) or phone at (800) 321-6273.



# How to Ask a Question during Today's Call

- **For participants using computer audio:**
  - Click the "Participants" button at the bottom of the app window, then the "Raise Hand" button at the bottom of the participants 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.