

RegFlex from Inforalgo:

Easing the
complexity of **CAT**
compliance for
proprietary trading
firms

inforalgo 
Intelligent Automation

eBook

Background

Compliance with the new Consolidated Audit Trail (CAT), affecting any Capital Markets participant dealing in US equity and options trading, is a complex prospect for proprietary trading firms. It begins with establishing connectivity, a challenge which is currently threatening to stall progress. Ultimately, compliance teams cannot begin to map their data set, or start testing submissions (due from December 2019) until they have established connectivity with the new FINRA CAT VPC.

Although firms may have long provided data to FINRA's Order Audit Trail System (OATS), the new CAT database will not be hosted on the Authority's existing data centre platform. Instead, it will be run on Amazon's AWS cloud-based

infrastructure - a plan it inherited from Thesys Group, which was due to operate CAT until the Security & Exchange Commission (SEC) intervened early in 2019.

For proprietary trading entities, CAT residing on AWS means existing connectivity methods used for order reporting will be of no help to them. Instead, they will need to start creating new connections from scratch, with considerable implications for compliance timelines and costs.

RegFlex from Inforalgo addresses this challenge need head on, providing a complete CAT connectivity and compliance solution that is fit for purpose for proprietary trading firms, affordable, and deliverable within the required timescales.

Consolidated Audit Trail (CAT): what is it, and what's the latest?

CAT is a central repository designed to track eligible orders across their lifecycle, and identify the exchanges and broker-dealers handling them, for purposes of market transparency and trust. The extensive detail required, in real time, will allow regulators to more efficiently and accurately monitor activity under the jurisdiction of SEC, throughout the US National Markets System (NMS) securities market.

Participants are required to report all 'order events' to the CAT system, including accepted orders, routes, replaced orders, cancelled orders and executions. Participants are responsible for submitting reference information, including the symbols that are active for the exchange on a particular day, as well as member lists.

Key upcoming CAT reporting dates

Phase	Event	Date
2A Equities	Test Environment opens for file submission and data integrity validations	December 16, 2019
2A Options		
2B Equities	Production Environment Go-Live for file submission and data integrity validations	April 20, 2020
2B Options	Production Environment Go-Live for file submission and data integrity validations	May 18, 2020

The CAT connectivity challenge

Even just registering and establishing connectivity to FINRA CAT is proving a sticking point for proprietary trading firms. Because CAT will be hosted on Amazon's AWS cloud platform, existing FINRA OATS connectivity is no use: OATS is hosted in a FINRA data centre.

For CAT, there are only three designated connection options available:

1. CenturyLink Private Line
(a Managed Network Service Provider, MNSP, offering)
2. BT Radianz Extranet
3. AWS Private Link (not available until January)

A further possibility is the CAT Reporting Portal, but this relies heavily on manual data submission, with limited scope for reporting automation

Challenge summary

- Data consolidation and harmonisation of different message specifications
- A mixture of FIX and proprietary APIs
- Tight timelines for testing and live reporting
- Connectivity requirements for FINRA CAT
- Large volume of data to ingest and map to CAT reportable events
- Exception management for re-submission T+3



Data consolidation, preparation & integration

Proprietary trading firms will often utilize their own internal proprietary order management systems, which can make it difficult to integrate with black box style external vendor solutions for data reporting.

Yet the various Financial Information eXchange (FIX) or API message specifications need to be combined in a reliable, unified data model, so that the order workflow can be mapped as CAT-reportable events.

Given the large volumes that are generally involved, this is not a simple data management task, and firms are likely to need expert help consolidate.

Deadline pressure

The timelines for compliance are also highly challenging.

Uncertainty over who would run CAT, and then the platform that would be used, caused many firms to delay their compliance preparations, assuming – wrongly – that SEC would push back the deadlines for testing, and then compliance.

Yet, as has become apparent since September, SEC has no such plans, and the original timelines still stand.

With testing due to start in December 2019, and CAT Phase 2a due to go live in April 2020, the urgency to find a solution to CAT connectivity, and organise data ready for compliant reporting, is acute.



Build vs Buy

While tier-1 financial organisations may have large internal development teams that can devote sufficient resources and budget to bespoke solution development projects which address their more complex needs, proprietary trading firms and more modest-sized broker-dealers are likely to benefit from a pre-existing, flexible external service solution.

Where firms have only a couple of different order/execution management systems, and simple trade flows, requirements are relatively straightforward, along with the effort needed to collect, aggregate and normalise the required data sets. In such cases, the right vendor-developed solution could enable firms to be ready for CAT much more quickly – even within a matter of weeks – while significantly reducing the cost and effort involved in producing CAT submissions each day, and providing ongoing support.

RegFlex from Inforalgo enables ingestion, normalization and linking of substantial disparate data sets in a timely, cost-effective and efficient manner, offers an ideal solution here.

Inforalgo RegFlex for CAT

RegFlex, from Inforalgo, cuts through all of this complexity, offering a fit-for-purpose route to both CAT connectivity and compliance that's affordable, scalable, highly automated, and can be delivered at speed, so that firms meet the upcoming deadlines, including the December testing dates if they move quickly.

RegFlex makes light work of trade and transaction reporting, with an agnostic approach to the data source and reporting service requirements - across asset classes. It enables disparate data sources to be normalised into a standard reporting data model, which can then be integrated with a client's chosen reporting solution.

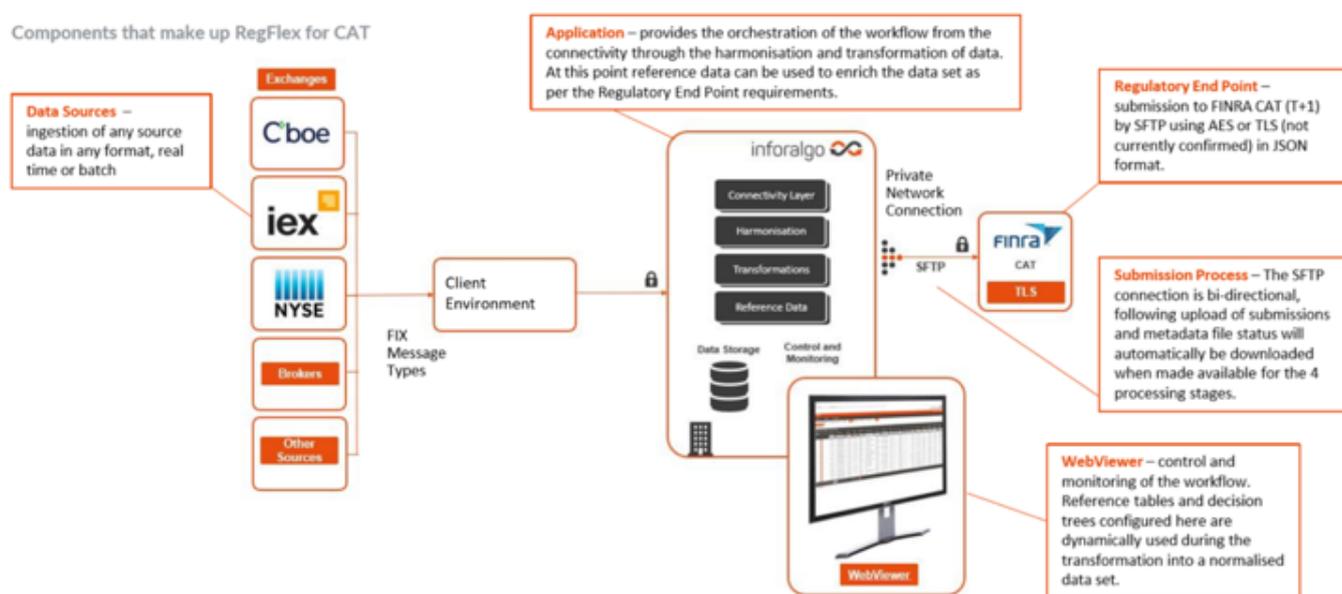
This provides clients with the freedom to select a single reporting service that fulfils all of their reporting obligations, trusting RegFlex to harmonise raw data from trading venues, data lakes, OMSs or reference sources made available internally or externally.

Key features & benefits

- CAT order-event mapping, providing granular control
- The ability to manage, harmonise and consolidate order data in real time from multiple different sources & formats
- Automation of determination & eligibility rules tailored to each firm's specific requirements
- Exception management & correction
- Unmatched speed to market

Components that make up RegFlex for CAT

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Talk to us about CAT

Please contact:
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