



OATS Retirement – Status Update

March 18, 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 March 12, 2021, the error rates for each of the 5 categories are substantially below the thresholds required for retirement.
- FINRA is evaluating 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 towards the end of the 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 or phone at (800) 321-6273.

