

---

# RFQ Overview

## Phase 2c & 2d CAT Reporting

---

March 4, 2021

# Agenda

---

- ▶ RFQ Guiding Principles 2c and 2d
- ▶ Reportable Responses
- ▶ Non-Reportable Responses
- ▶ Temporary Exemptive Relief
- ▶ Sample RFQ Scenarios & Reporting Requirements
- ▶ Q&A

# RFQ Guiding Principles 2c and 2d

---

- ▶ Requests for quotes and indications of interest are not reportable to CAT. (See, e.g., [CAT FAQ B3](#).)
- ▶ RFQ responses that represent a firm expression of trading interest, even those not selected, sent via standard electronic format (e.g., FIX) that are immediately actionable (i.e., no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed) must be reported and include the solicitation flag in Phase 2c (equities) and 2d (options).
- ▶ Verbal RFQ responses and RFQ responses sent via unstructured electronic communications that are not captured by Industry Member order management or execution systems (collectively “manual responses”) that represent a firm expression of trading interest are not reportable in Phase 2c or 2d. Absent an extension or some other relief, these manual responses are expected to become reportable in July 2023 when the current verbal quote/manual events exemptive relief expires. (The exemption order is available [here](#).)
- ▶ Once a winning response(s) has been selected, all order events, including manual events, originated/received to execute the winning response(s) are reportable and must be identified as part of solicitation on applicable events now (in Phase 2a/2b), as well as in Phase 2c and 2d.
- ▶ The specific events reported depends on the parties to the RFQ process (IM vs. Cust) and the specific workflows of the parties involved.

# Reportable Responses in 2c and 2d

---

- ▶ Firm RFQ responses communicated in standard electronic format (e.g., FIX) to an Industry Member's OMS/EMS and that are immediately actionable
  - This includes all responses, even those that were not ultimately selected
  - Responses must be reported by both the Responder(s) and the Solicitor
  - All responses must contain *solicitationFlag* populated as *true* and *RFQID* if available
- ▶ Solicitor and Responder(s) are not required to report cancellation events for responses to an RFQ or solicitation that were ultimately not selected if the *solicitationFlag* is correctly populated as *true*.
- ▶ RFQ responses provided as order messages must be reported as order events. RFQ responses provided as a quote message must be reported as a quote event; however, at this time, FINRA CAT is unaware of any workflows involving an immediately actionable quote message.

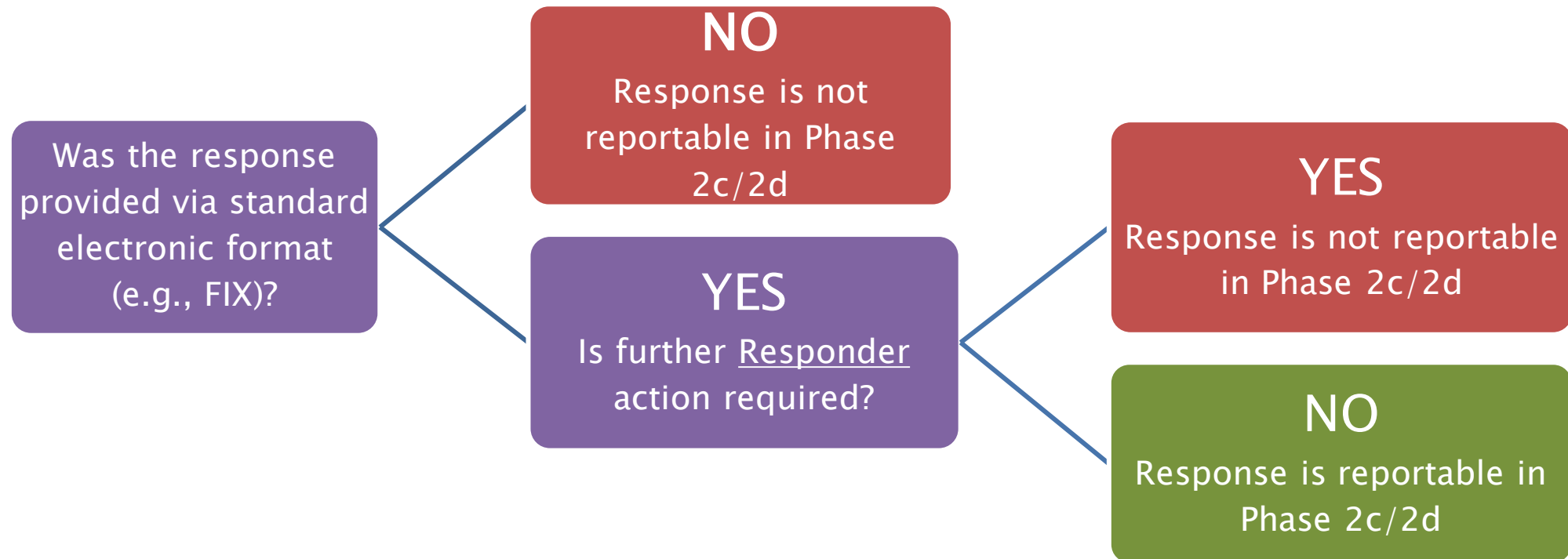
# Non-Reportable Responses in 2c and 2d

---

- ▶ Firm RFQ responses not communicated in standard electronic format
  - Phone Call, IM, Email, etc.
- ▶ Responses communicated in standard electronic format (e.g., FIX) to an Industry Member's OMS/EMS but are not immediately actionable
  - Further manual or electronic action is required by the Responder providing the quote to execute or cause a trade to be executed
- ▶ These responses are expected to become reportable to CAT in July 2023 when the current verbal quote/manual events exemptive relief expires

# Determine Reportable Responses in 2c and 2d

---



# Temporary Exemptive Relief

---

- ▶ Temporary exemptive relief until July 31, 2023 was granted for two types of verbal and unstructured electronic upstairs activity that involves firm orders subject to CAT reporting:
  - verbal telephone discussions between an Industry Member and a client, and
  - unstructured electronic communications that are not currently captured by Industry Member order management or execution systems. **(This includes RFQ Responses that are not reportable in Phases 2c and 2d)**
- ▶ Granting temporary exemptive relief until July 31, 2023 will provide CAT Reporters the time to fully consider how to report such events and create the necessary technological and process changes required to capture these required quotes and orders while minimizing potential business disruptions and impacts to existing workflows.
- ▶ As a condition to this relief, the Participants must provide the Commission a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders.

# Sample Scenarios

---

- ▶ What follows are some high-level sample firm RFQ response scenarios intended to demonstrate reporting concepts for Phases 2c and 2d.
- ▶ The examples are not an exhaustive list of scenarios, and are for general illustrative purposes only.
- ▶ As noted above, the specific events reported depends on the parties to the RFQ process (IM vs. Cust) and the specific workflows of the parties involved.
- ▶ Refer to the CAT Industry Member Technical Specifications and the CAT Industry Member Reporting Scenarios (available [here](#)) for detailed reporting requirements and further illustrations of the concepts.
- ▶ Some examples relate to the use of third-party RFQ vendors. By including these examples, the Participant SROs and FINRA CAT are not making any representations or conclusions about other rules and regulatory requirements that may apply to third-party RFQ vendors, including whether or not and how such vendors may be subject to broker-dealer (and/or ATS) registration requirements. Please consult your compliance and/or legal advisor regarding applicable requirements.



# 2c/2d Scenario 1 – Customer Order Routed to Winning Bidder

---

IM Solicitor has a customer order and issues an RFQ (either through an RFQ platform or other mechanism). IM Solicitor selects a winning bid and routes customer order to winning bidder for execution.

- ▶ RFQ Issued by Solicitor IM S (Not Reportable because the request itself is never reportable)
- ▶ Multiple IM Responders send responses that are not immediately actionable to IM S (Not Reportable in Phase 2c/2d because responses were not immediately actionable)
- ▶ IM S selects IM A then sends IM A an order that IM A immediately executes (Reportable because post selection activity)

Solicitor	Responder	Comments
MENO/MONO		Customer Order
MEOR/MOOR		Route to winning responder
	MEOA/MOOA	Reported by winning responder
	MEOT/MEOR/MOOR	Execute customer order or report appropriate events based on the actions taken by the winning responder

# 2c/2d Scenario 2 – Customer Order Crossed/Paired with Winning Responder

IM Solicitor has a customer order and issues an RFQ (either through an RFQ platform or other mechanism). IM Solicitor selects the winning bid, and the winning Responder must send an order to the Solicitor.

- ▶ RFQ Issued by IM Solicitor (Not Reportable because the request itself is never reportable)
- ▶ Multiple IM Responders send responses that are not immediately actionable (Not Reportable in Phase 2c/2d because responses were not immediately actionable)
- ▶ IM Solicitor selects Responder A then Responder A sends an order to Solicitor via FIX (Reportable because post selection activity)
- ▶ IM Solicitor accepts order from Responder A and executes or routes for execution (Reportable because post selection activity)

Solicitor	Responder	Comments
MENO/MONO		Customer Order
	MENO/MONO	Reported by winning responder
	MEOR/MOOR	Reported by winning responder
MEOA/MOOA		Reported for winning response
MEOT/MEOR/MOOR		Cross customer order with winning order or report appropriate events based on the actions taken by the solicitor

# 2c/2d Scenario 3 – Non-BD Solicitor

A non-BD Solicitor issues an RFQ (either through an RFQ platform or other mechanism) and receives responses that are not immediately actionable from IM Responders. Non-BD Solicitor selects a winning bid and routes an order to the winning Industry Member Responder.

- ▶ RFQ Issued by non-BD Solicitor (Not Reportable because the request itself is never reportable)
- ▶ Multiple IM Responders send responses to non-BD Solicitor (Not Reportable in Phase 2c/2d because responses were not immediately actionable)
- ▶ Non-BD Solicitor selects IM Responder A and sends IM A an order via FIX that IM A immediately executes (Reportable by IM A because post selection activity)

## Equities

Responder	Comments
MENO	Customer Order, reported by winning responder
MEOT	Execute customer order from proprietary account

## Options

Responder	Comments
MONO	Customer Order, reported by winning responder
MONO	Proprietary order, reported by winning responder
MOOR	Route 1 of the paired customer order to an exchange
MOOR	Route 2 of the paired proprietary order to an exchange

## 2c/2d Scenario 4 – Customer Order Crossed/Paired with Winning Immediately Actionable Response

IM Solicitor has a customer order and issues an RFQ (either through an RFQ platform or other mechanism). IM Responders send immediately actionable responses.

- ▶ RFQ Issued by IM Solicitor (Not Reportable because the request itself is never reportable)
- ▶ Multiple IM Responders send immediately actionable responses directly to IM Solicitor in standard electronic format (Reportable because responses were in standard electronic form and immediately actionable)
- ▶ IM Solicitor selects IM Responder A's response and immediately executes or routes to an exchange (Reportable because post selection activity)

Solicitor	Responders	Description
MENO/MONO		Customer Order
	MENO/MONO	With solicitationFlag of 'true', reported by all responders
	MEOR/MOOR	Reported by all responders
MEOA/MOOA		With solicitationFlag of 'true', reported for all responses
MEOT/MEOR/MOOR		Cross customer order with winning order or report appropriate events based on the actions taken by the solicitor

# 2c/2d Scenario 5 – Customer Order Sent to BD RFQ for Solicitation and Execution/Further Routing

IM Solicitor routes customer order to IM R’s BD RFQ platform. IM R identifies respondents and issues an RFQ. IM Responders send immediately actionable responses to IM R’s BD RFQ platform. IM R selects winner and pairs IM A’s order with winning IM Responder and routes a paired order to exchange for execution.

- ▶ IM Solicitor sends a customer order to IM R with instructions for the IM R’s BD RFQ platform to issue an RFQ (Reportable because customer order itself is always reportable)
- ▶ IM R issues an RFQ via the RFQ platform (Not Reportable because the request itself is never reportable)
- ▶ Multiple IM Responders send immediately actionable responses to IM R’s BD RFQ platform (Reportable because responses were in standard electronic form and immediately actionable)
- ▶ IM R selects IM Responder A and routes the orders from IM Solicitor and IM Responder A as a paired order to an exchange for execution (Reportable because post selection activity)

Solicitor	IM R	Responders	Comments
MONO			Customer Order
MOOR			Route to IM operated RFQ Platform
	MOOA		Receipt of Customer Order
		MONO	With solicitationFlag of ‘true’, reported by all responders
		MOOR	Reported by all responders
	MOOA		With solicitationFlag of ‘true’, reported for all responses
	MOOR		Route 1 of the paired customer order to an exchange
	MOOR		Route 2 of the paired winning order to an exchange

# Industry Members Operating RFQ Platforms

---

Industry Members that provide RFQ platforms to other Industry Members generally are required to report CAT information for responses sent through these platforms (as they themselves would be considered the Responder/Solicitor), except under the following circumstances:

1. The Industry Member providing the RFQ platform is doing so solely in a technology vendor capacity and not as a broker-dealer;
2. The Solicitor must have a direct relationship with the Responders and understands that the Industry Member providing the RFQ platform is doing so solely in a technology vendor capacity and not as a broker-dealer; and
3. Responders view solicitations as coming directly from the Solicitor and not the Industry Member providing the RFQ platform, for all purposes, including, but not limited to, CAT reporting, trade reporting, applicable fees, etc.



# How to Ask a Question during Today's Call

---

- **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

---

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