

Open Outcry Trading

June 15, 2021

Agenda

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- ▶ Reporting Framework
- ▶ Introduction to MOOT Event
 - Linkage
 - eventTimestamp
 - firmDesignatedID
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- ▶ Q & A

Overview

CAT Phase 2d includes reporting of manual order and trade events for options.

- On November 12, 2020, the SEC issued an order granting temporary conditional exemptive relief (Exchange Act Release No. 90405) from reporting certain order activity originating from verbal quotes until July 31, 2023 (“Verbal Quote Relief”).
- The Verbal Quote Relief does not exempt the reporting of trades executed as the result of a verbal quote.

Reporting Framework

A new Option Trade (MOOT) event has been created for manual exchange trades that:

- Occur in Open Outcry trading on an Option Exchange Floor (applicable to Floor Brokers and Floor Market Makers); and
- Are not part of an existing workflow where an order is routed to the exchange's matching engine.

Reporting Framework

The MOOT event is a single-sided event. Each Industry Member is responsible for reporting their own MOOT event(s) with appropriate linkage identifiers provided.

The MOOT event allows for a trade to be reported to CAT with or without a corresponding New Order event.

Objectives:

- ▶ Linkage – the Consolidated Audit Trail links all related order and trade events into a ‘lifecycle’
- ▶ Customer and account identification – the parties to the trade must be properly and consistently identified.

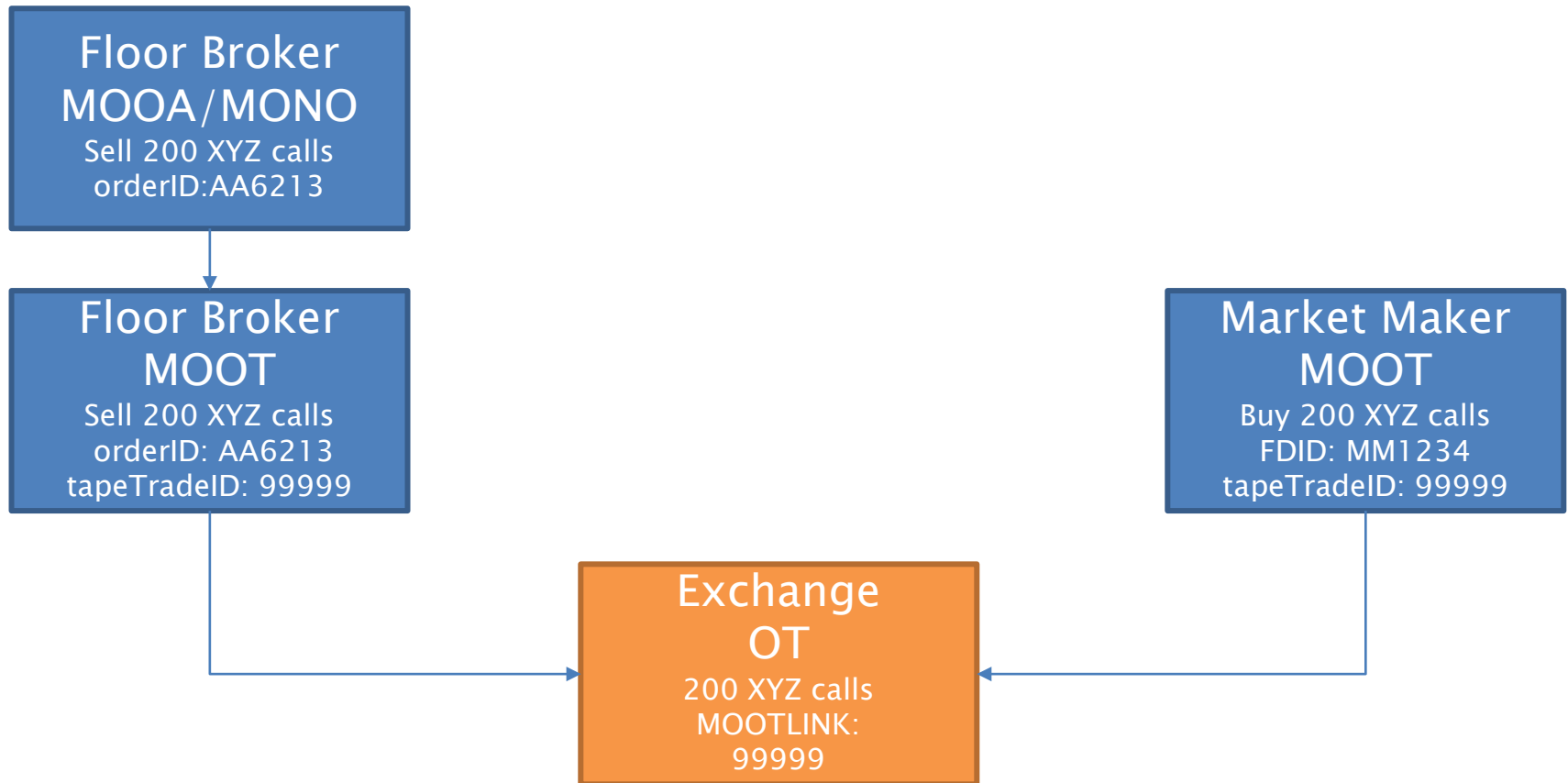
Reporting Framework

Each exchange trading floor is bound by different rules and follows different procedures for Open Outcry trading. As such, the reporting requirements for these workflows vary per exchange.

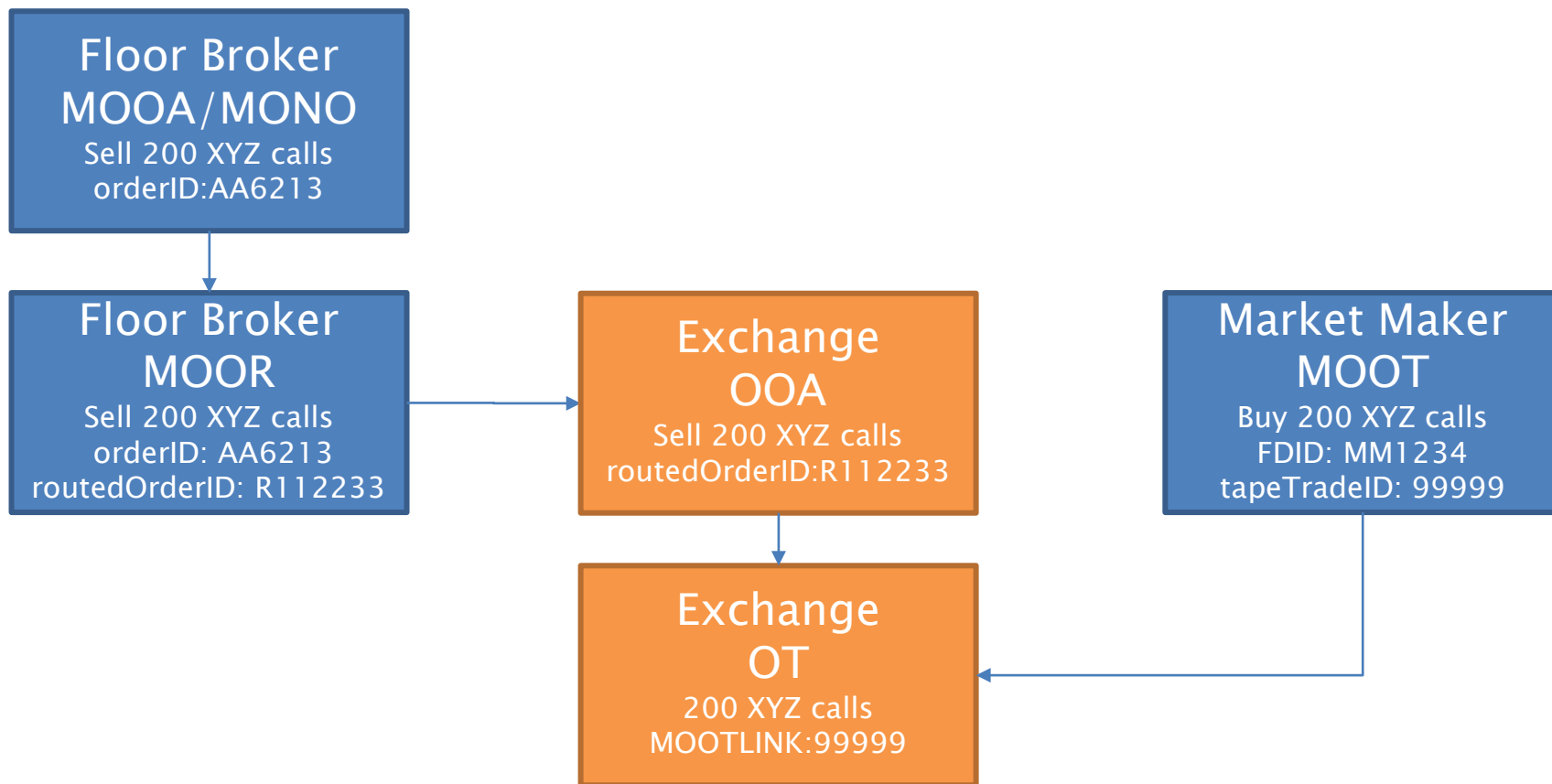
FINRA CAT has worked closely with all Plan Participants to construct a flexible reporting structure recognizing the differing workflows across exchanges.

Introduction to Moot Event

Basic Workflow – Both Sides report MOOT event



Basic Workflow – Floor Broker Order Route



MOOT Event

The MOOT event contains:

- ▶ Basic trade details (e.g., optionID, quantity, price, etc.)
- ▶ *eventTimestamp* - Event Date portion is used for linkage
- ▶ *tapeTradeID* - Unique identifier used to link to the exchange OT
- ▶ *marketCenterID* - Exchange where the trade was executed
- ▶ *multiLegInd* - Used to indicate if the execution was related to a multi-leg order

MOOT EVENT (continued)

- ▶ *sideDetailsInd* – Indicates if the event represents the buy side or the sell side of the trade
- ▶ *sideDetails* - Either the *buyDetails* or *sellDetails* block is populated according to the *sideDetailsInd*
- ▶ *orderID* (conditional) – populated if a related originating order event was required to be reported
- ▶ *firmDesignatedID* (conditional) – populated if a related New Order event was not required in accordance with the Verbal Quote Relief.

Linkage

The MOOT Event will provide linkage to:

- ▶ The Order event reported by the Floor Broker
 - Order Accept (MOOA/MLOA)
 - New Order (MONO/MLNO)
- ▶ The Trade event reported by the Exchange
 - Linkage through the **tapeTradeID** field – specific values to be determined by exchanges
 - Many-to-One linkage – multiple MOOT events can link to the same Exchange Trade
- ▶ When no New Order Event is required by a Market Maker (subject to Verbal Quote Relief) the MOOT event must be populated with the FDID.

Exchange Linkage

- ▶ Exchange Linkage Key: Event Date, *optionID*, *tapeTradeID*, *marketCenterID*, *side*
 - ***tapeTradeID*** is an exchange specified value. Each exchange on which MOOT events are required will provide the identifier used for linkage. This will be a field or set of fields that are currently provided on the existing trade interface.
 - ***marketCenterID*** values have been added to the IM Spec for Option Exchanges (existing exchange codes).
- ▶ IMID does not participate in linkage.

Exchange Linkage (continued)

IM (MOOT)	Participant (OT)
Event Date	Event Date
optionID	optionID
tapeTradeID	MOOTLINK in executionCodes
marketCenterID	Exchange
side	side

- ▶ The MOOTLINK is a new identifier that will be provided by the exchanges to the Industry Members for linkage to be populated in the *tapeTradeID* field.
- ▶ New IM Linkage Error Codes
 - 6021 – *tapeTradeID* did not match
 - 6023 – *marketCenterID* did not match
 - 6025 – *side* did not match

eventTimestamp

- ▶ The *eventTimestamp* must reflect the time the floor trade was agreed in Open Outcry.
- ▶ Timestamp must be reported to seconds (or higher granularity if held).
 - It is understood that this timestamp recorded on the Open Outcry event (MOOT) will not exactly match the electronic timestamp recorded on the exchange trade event (OT).
 - Only the date portion of the *eventTimestamp* will be used for linkage to the Exchange OT.
- ▶ All MOOT events are manual events, and the `manualFlag` must be marked as true.

Firm Designated ID

Firm Designated ID (FDID) is a unique identifier for each trading account required on all origination events.

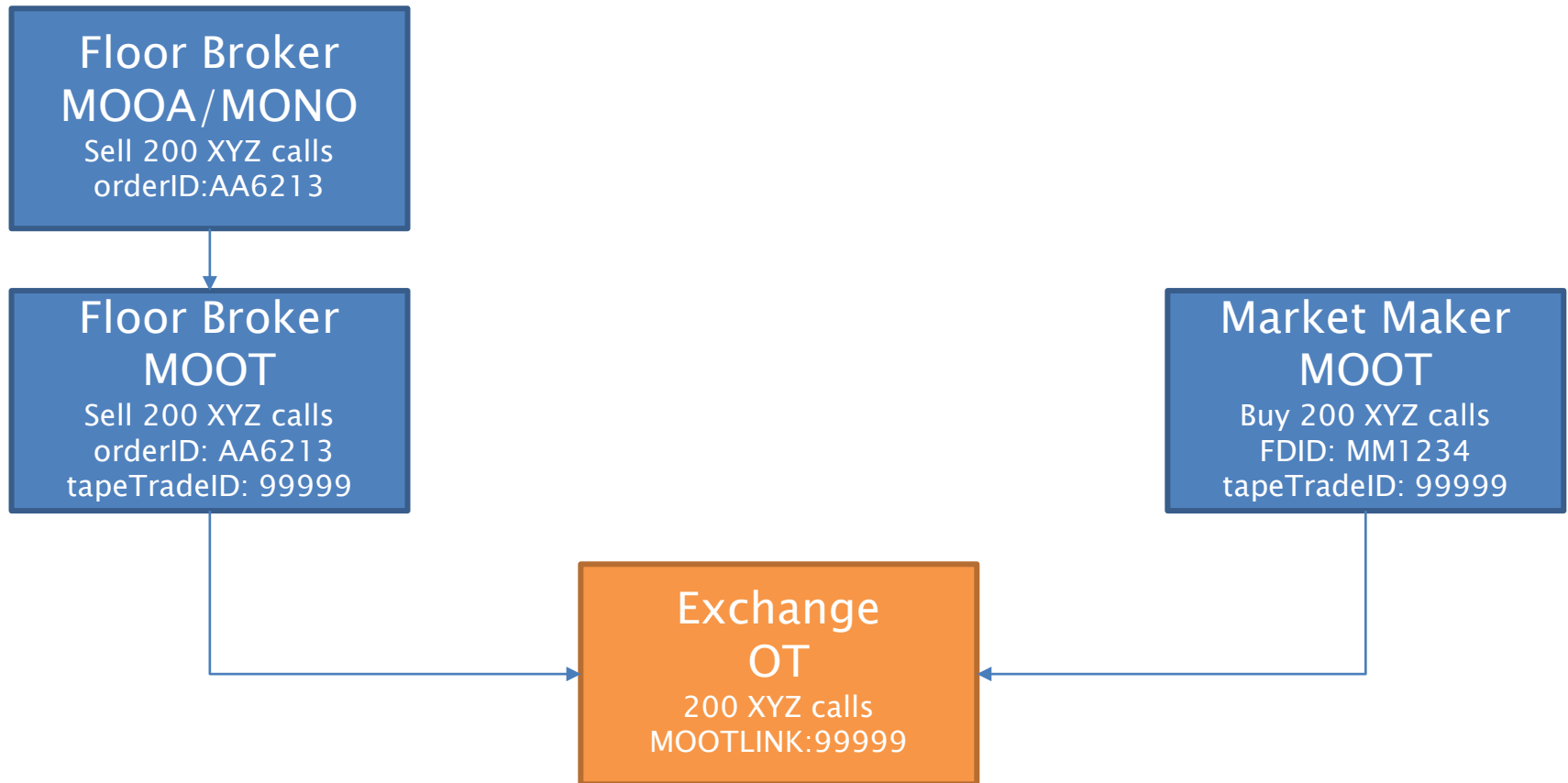
- ▶ FINRA CAT uses lifecycle linkages to determine the FDID(s) for all executed trades.
- ▶ When no new order is required by a Market Maker (subject to the Verbal Quote Relief), the FDID must be provided on the MOOT event.

Firm Designated ID (continued)

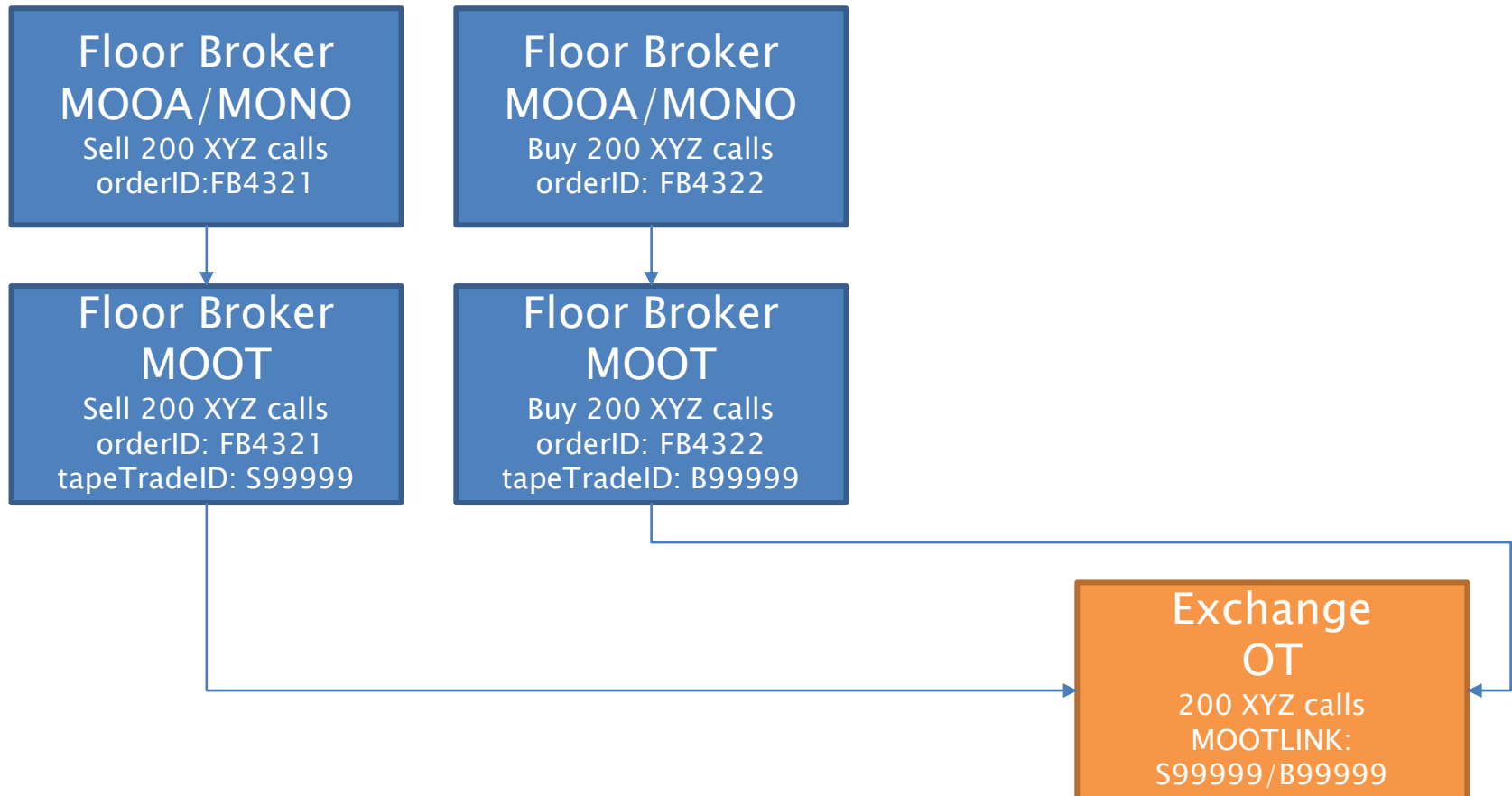
- ▶ Industry Members must also report Customer and Account information to CAT CAIS for any FDID reported in a transaction report
 - <https://www.catnmsplan.com/events/cat-customer-and-account-reporting-requirements-and-cais-technical-specification-overview-1>
- ▶ This includes Market Makers reporting FDIDs on MOOT

Scenarios

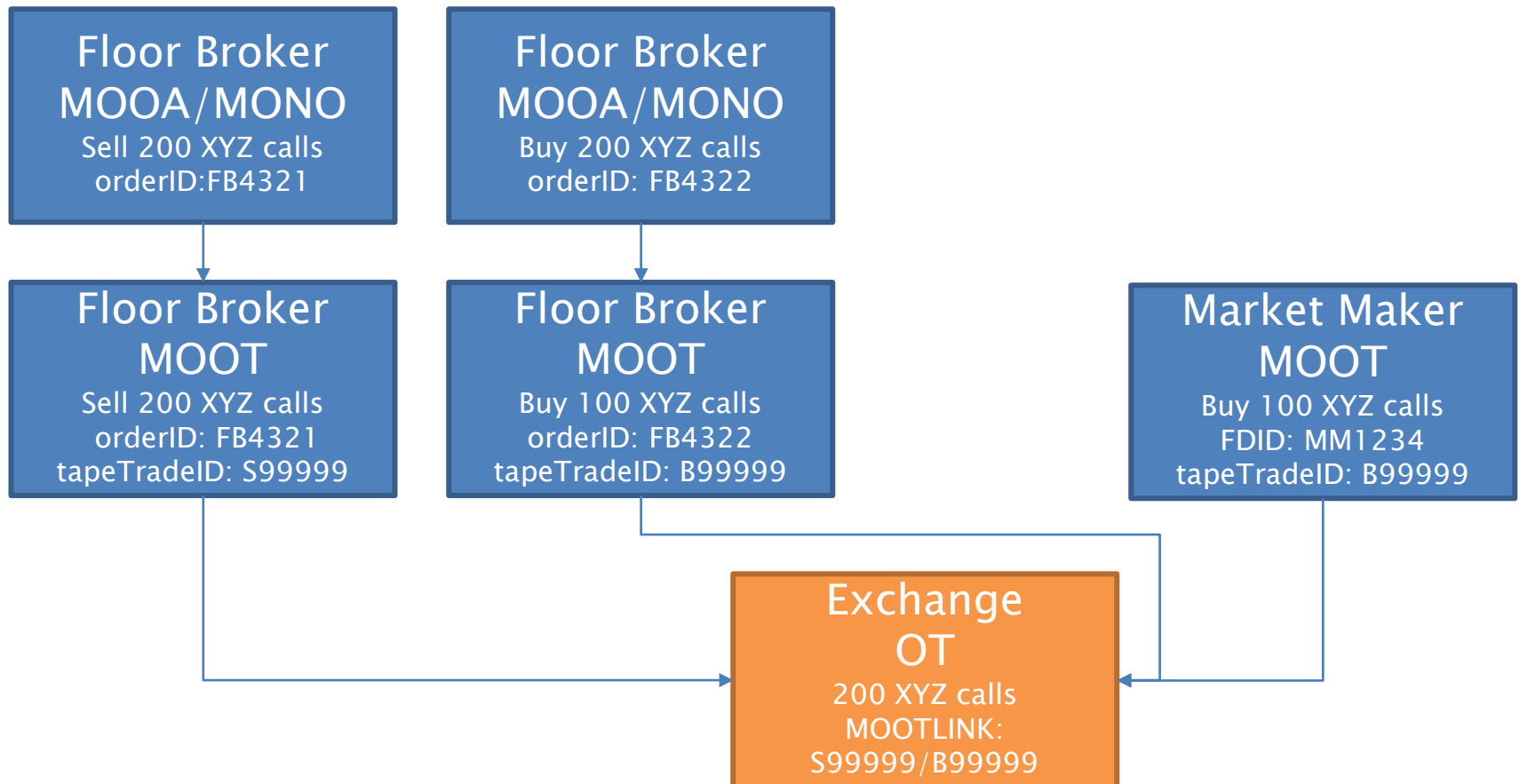
Floor Broker vs. Market Maker



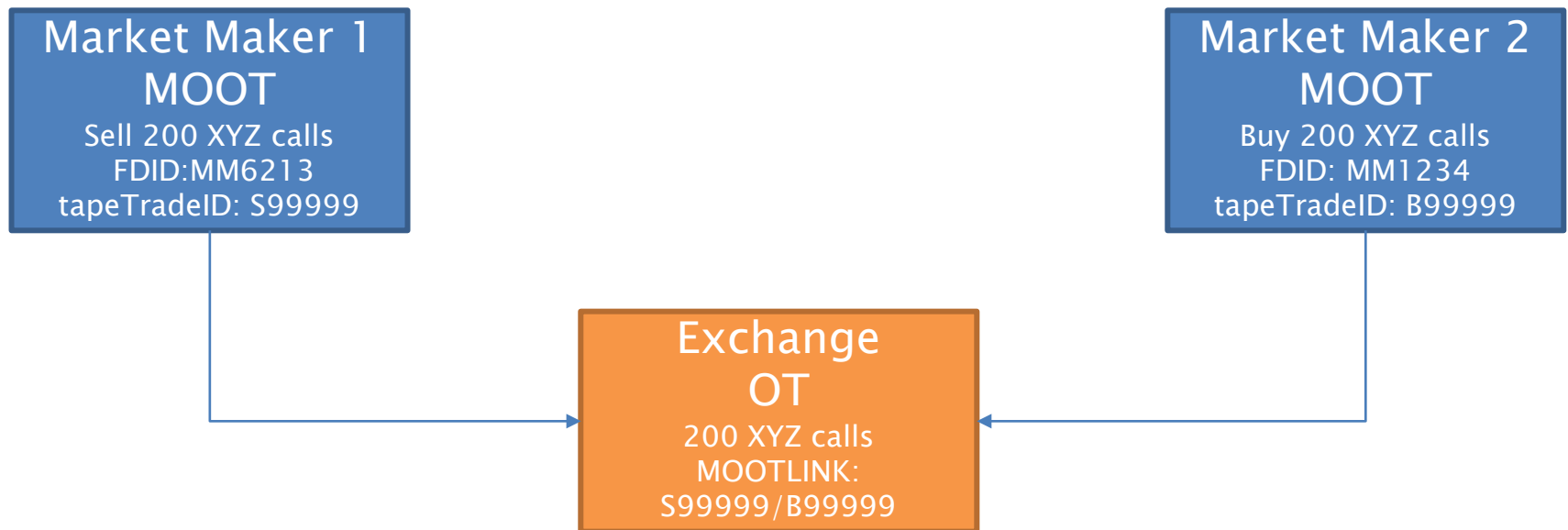
Floor Broker Cross



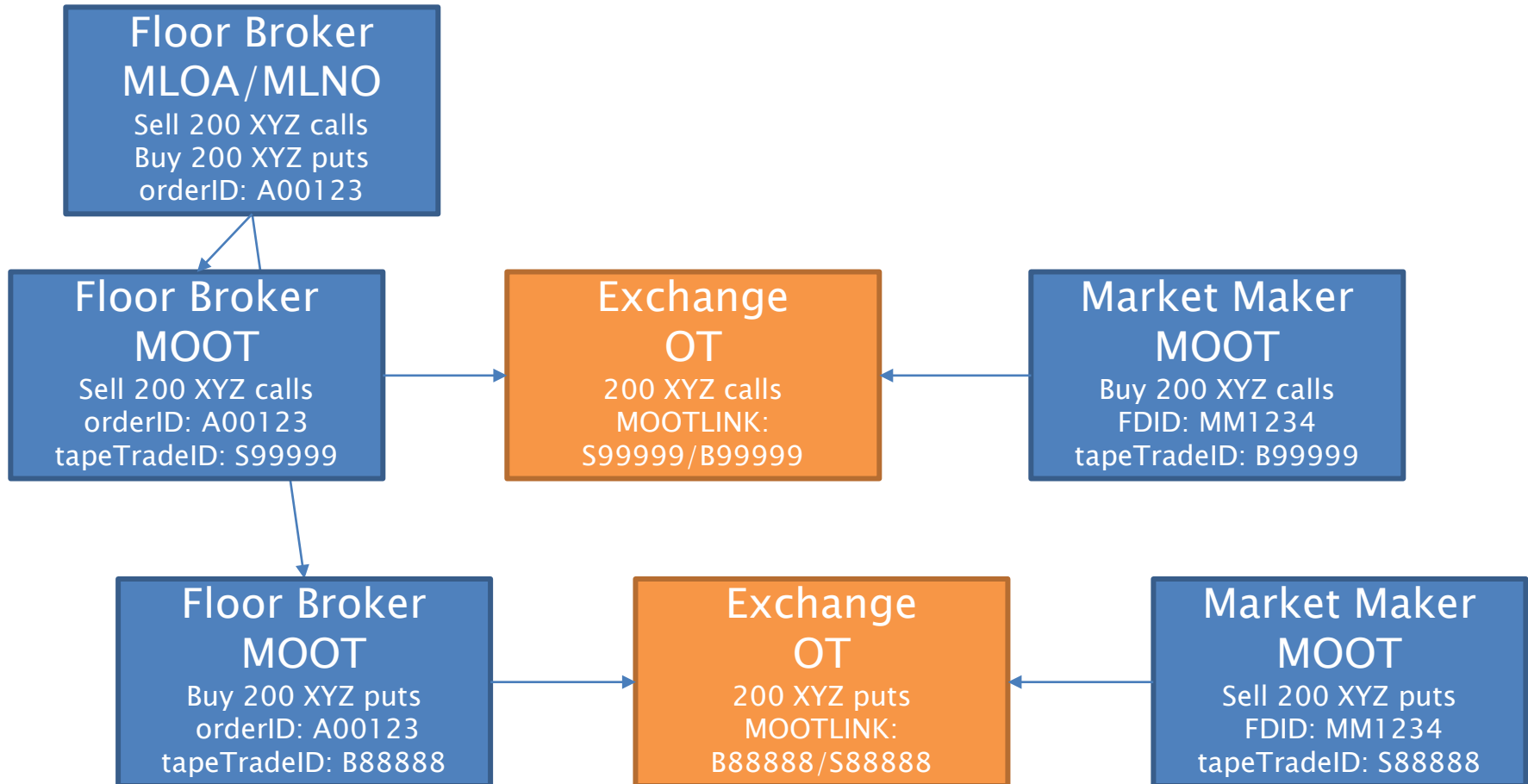
Floor Broker Cross – Broken



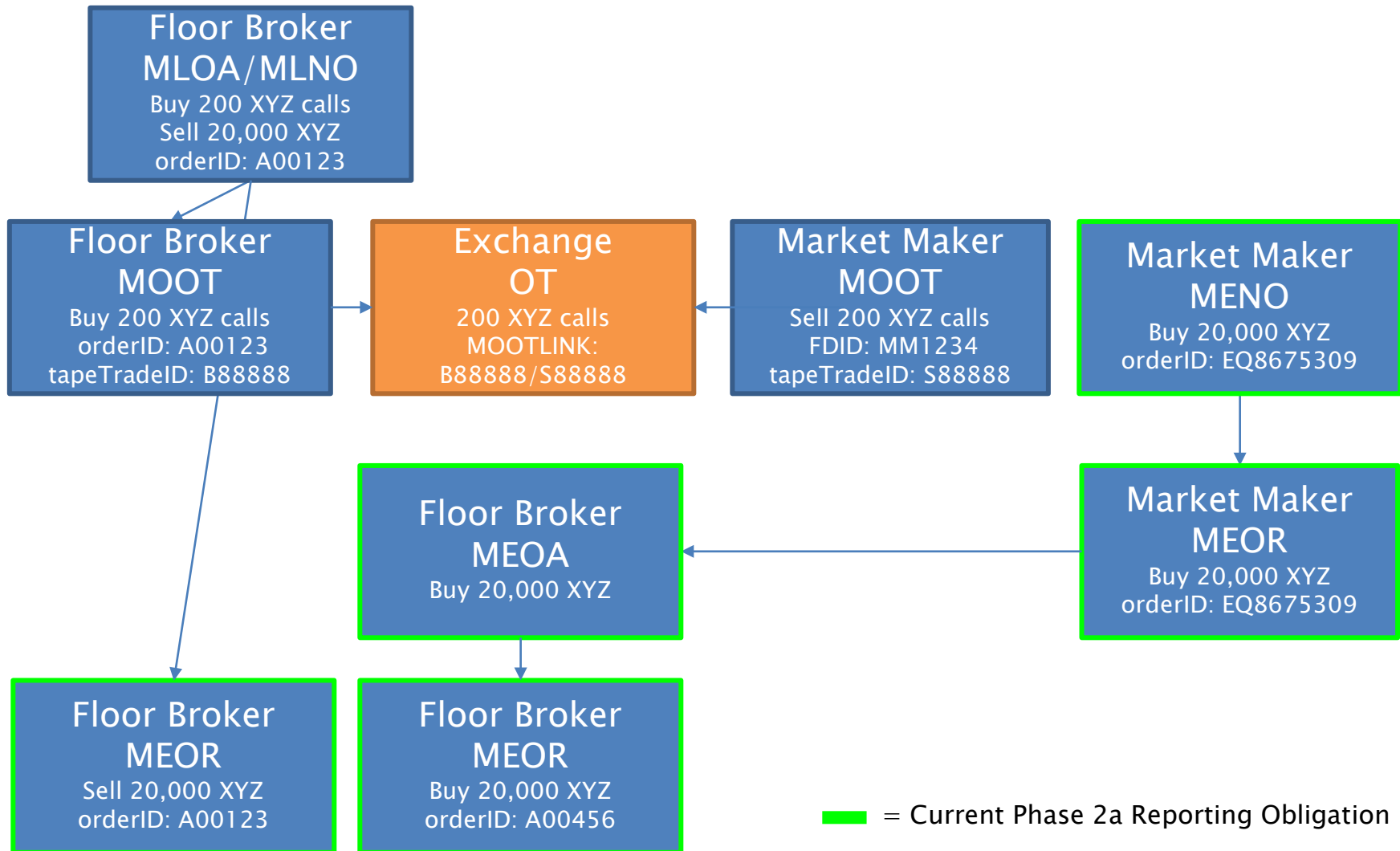
Market Maker vs. Market Maker



Floor Broker vs. Market Maker – Multileg



Floor Broker vs. Market Maker – Multileg W/Equity



Published Guidance

- ▶ **Industry Member Specifications** – updated MOOT details published June 18
- ▶ **Industry Member Reporting Scenarios** – Open Outcry scenarios will be provided for all exchange floors – next version published June 18
- ▶ **Exchange Mapping document** – provides exchange specific guidance on how to populate the tapeTradeID and other linkage fields. Initial version to be published June 18

Sample:

	Floor Broker	Market Maker
PHLX	Trade ID (Trade Sequence Number) CTI offset 43	Trade ID (Trade Sequence Number) CTI offset 43

<https://www.catnmsplan.com/specifications>

Phase 2d Webinar

On Thursday, June 24 at 1:00 PM ET, FINRA CAT will be hosting an industry webinar to review the Phase 2d reporting requirements (e.g., complex orders, paired orders, etc.)

- ▶ <https://www.catnmsplan.com/events>

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