
Part 2: Material Inconsistencies

August 3, 2022

Agenda

- Scope of Part 1 and Part 2
- Processing Stages
- Overview of Data Inconsistencies
- Sample Material Inconsistencies Scenarios
- Key Dates
- CAIS Resources
- Q&A

Disclaimer

Note: All CRD numbers, names, addresses, and identifiers data used for examples in the Customer and Account information reports are purely fictional for illustrative purposes only. Any resemblance to actual persons, organizations, or locations is purely coincidental. All Transformed Identifiers (“TIDs”) included in the examples for Social Security Numbers, Individual Taxpayer Identification Numbers, or Employer Identification Numbers (collectively, ‘SSN/ITIN’ and ‘EIN’), are generated from values that are outside of the acceptable range of assignment by the assigning body and would fail CAT data validations if reported to CAIS.

Scope of Part 1 and Part 2

Part 1: Error Repair and Corrections

- ▶ The focus of yesterday's webinar was on Error Repair and Industry Member-Identified Corrections.
- ▶ **Errors** are identified by CAT when validating files and records, are provided in feedback and are required to be repaired.
- ▶ **Corrections** are self-identified by the Industry Member and are required to be corrected.
 - There is no associated feedback for corrections.

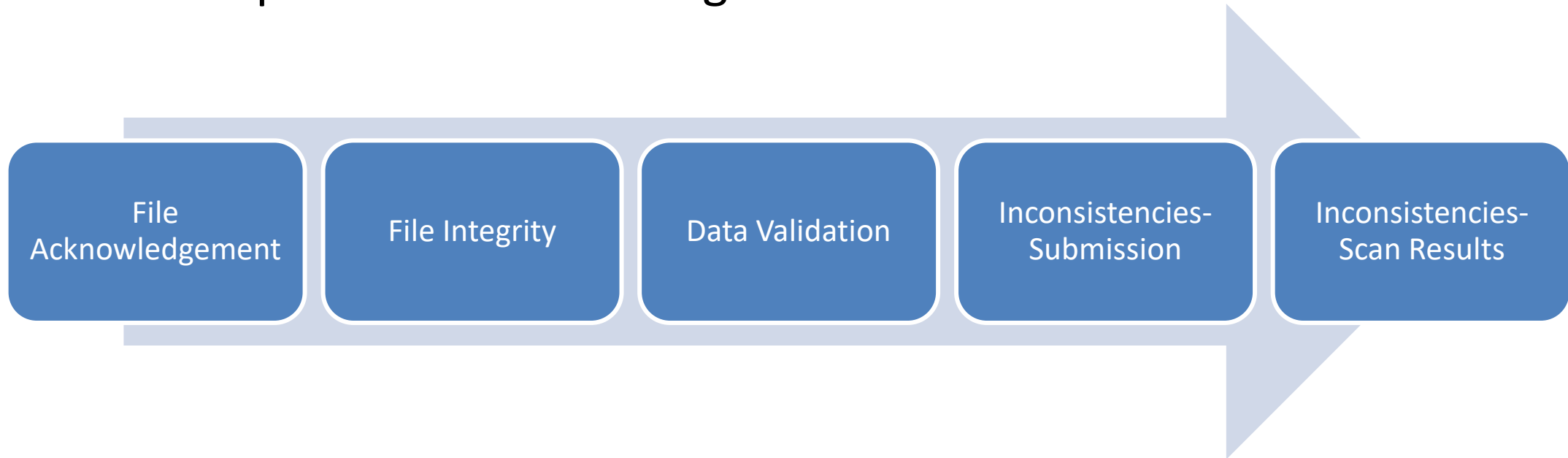
Part 2: Material Inconsistencies

- ▶ The focus of today's webinar is on Material Inconsistencies and Material Inconsistency Resolution.
- ▶ Material Inconsistencies are identified by CAT when FDID Records have passed validation checks (i.e., no errors were identified by CAT), but inconsistency scans have found inconsistent Customer data.
 - There is feedback associated with Material Inconsistencies and Industry Members that receive Material Inconsistency notifications must take action to resolve them.

Processing Stages

Processing Stages

- ▶ Files are processed in five stages:



- ▶ CAT provides feedback for all files and records submitted to CAIS.
- ▶ Feedback is available via SFTP and the CAT Reporter Portal – CAIS.

Overview of Data Inconsistencies

Data Inconsistencies– Overview

- ▶ Two types of Data Inconsistencies:
 1. **Material Inconsistencies** require correction or confirmation within the established deadline.
 2. **Minor Inconsistencies** are provided to the Industry Member for informational purposes only, and do not require correction. There are no minor inconsistencies defined at this time, however the infrastructure is in place in accordance with the CAT NMS Plan requirements.
- ▶ Records that are not rejected during Ingestion will be imported into CAT CAIS, even if one or more Inconsistencies are identified in the accepted record.

Material Inconsistencies Overview

- ▶ There are only three types of Material Inconsistencies.
- ▶ Material Inconsistencies are generated when:
 - The Transformed Identifier value (“TID Value” or *tidValue*) is the same but:
 - A different **Year Of Birth** was reported (Natural Person Customers); or
 - A **different EIN** was reported (Legal Entity Customers); or
 - For foreign Customers, the same combination of *foreignTIDType* (specifically, ‘OTHGOVT’ and ‘NATIONALID’), *foreignTIDCountryCd*, and *tidValue* was submitted as **both a Natural Person and Legal Entity**.
- ▶ Material Inconsistencies can occur:
 - When the same Industry Member submits inconsistent Customer information across multiple files (“intra-firm inconsistencies”)
 - When two or more Industry Members submit Customer information that is inconsistent across Industry Members (“inter-firm inconsistencies”).
- ▶ Only Customer Records with an active association to an active FDID are included in the Material Inconsistencies scans.

Material Inconsistencies– Other Important Concepts

- ▶ It is expected and acceptable that certain other Customer information may be different within the same Industry Member or across multiple Industry Members and no Material Inconsistencies would be generated.
 - For example, Customer Melanie Faye Jones may be associated with different FDIDs as follows:

CRD 555		
FDID	1A2042	50955
Cust. Type	Natural Person	Natural Person
Name	Melanie Jones	Mel Jones
Address	10 Fifth Ave Suite 1000 Brooklyn, NY 11201	10 Fifth Ave Suite 1000 Brooklyn, NY 11201
Y.O.B.	1975	1975
TID Value (abbrev.)	c68a96c6f6f640bb...	c68a96c6f6f640bb...

CRD 987	
FDID	21098
Cust. Type	Natural Person
Name	Melanie Faye Jones
Address	150 SW Orange St Brooklyn, NY 11201
Y.O.B.	1975
TID Value (abbrev.)	c68a96c6f6f640bb...

Material Inconsistencies Procedure

- ▶ Two parties are affected when a Material Inconsistency is generated, the “Triggering Firm” and the “Impacted Firm”.
 - The Industry Member whose submission data is Materially Inconsistent when compared to the data currently stored within CAIS is referred to as the “Triggering Firm”.
 - The Industry Member whose data was previously stored within CAIS, whose data is now determined to be Inconsistent as a result of the submission of the same Customer by another Industry Member is known as the “Impacted Firm”.

Material Inconsistencies Procedure– Triggering Firm

- ▶ When a Material Inconsistency is generated, the Triggering Firm must always take an action:
 - Either confirming the accuracy of the data it submitted to CAIS by resubmitting the FDID Record and including the *updateNotification* field set to 'true'
 - Or updating the data it submitted to CAIS by correcting the field that triggered the Material Inconsistency and resubmitting the FDID Record, including the *updateNotification* field set to 'true'.
- ▶ Once the Industry Member has submitted the Customer Record with an *updateNotification* set to 'true', a “grace period” will start and the Industry Member will not receive any interfirm inconsistencies for that record for the next 365 days.

Material Inconsistencies Procedure– Impacted Firm

- ▶ If the Triggering Firm takes an action that closes the Material Inconsistency, the Impacted Firm will **not** receive a Material Inconsistency notification.
- ▶ *However*, if a Material Inconsistency remains outstanding once the Triggering Firm has taken action on the Customer Record, the Impacted Firm will receive a Material Inconsistency notification.
- ▶ The Impacted Firm must then:
 - Either confirm the accuracy of the data it submitted to CAIS by resubmitting the FDID Record and including the *updateNotification* field set to ‘true’
 - Or update the data it submitted to CAIS by correcting the field that triggered the Material Inconsistency and resubmitting the FDID Record, including the *updateNotification* field set to ‘true’.
- ▶ Once the Industry Member has submitted the Customer Record with an *updateNotification* set to ‘true’, a “grace period” will start and the Industry Member will not receive any interfirm inconsistencies for that record for the next 365 days.

Material Inconsistencies– Other Notes

- ▶ Submission of a Customer Record with an outstanding inconsistency will result in a rejection unless the *updateNotification* field is set to 'true' for that Customer Record.
- ▶ If the Industry Member knows it is submitting Natural Person Customer information that will result in an intrafirm Material Inconsistency, it can proactively set the *updateNotification* field to 'true' and no Material Inconsistency will be generated.
- ▶ Resolving a Material Inconsistency requires a CAT Reporter to follow the Material Inconsistency resolution procedures that are detailed in the Full CAIS Technical Specifications to confirm or correct the record that generated the Material Inconsistency. It does not require the CAT Reporter to contact its customer to confirm the information. Also see FAQ [Q55](#).

Deadline for Data Inconsistencies– Triggering Firm

- ▶ For data submitted on time (by 8:00 a.m. ET), data inconsistencies present within the submission file will be identified by CAT CAIS and provided to Industry Members no later than 5:00 p.m. ET on the CAT Trading Day such information was submitted to CAT.
- ▶ Once available, confirmations or updates can be made immediately.
- ▶ All confirmations or updates must be submitted by 5:00 p.m. ET on the third CAT Trading Day after the Customer or Account information became available to the Industry Member.*
- ▶ Confirmations or updates received after the deadline will be accepted but considered late.

*Material Inconsistency resolution deadlines will be enforced effective December 12, 2022

Deadline for Data Inconsistencies– Impacted Firm

- ▶ If the Industry Member confirms their current data submission is correct or submits an update to their data that leaves data inconsistent for the Customer Record, all other Industry Members who have an active version of the same Customer Record with the inconsistency will then be notified of the Material Inconsistency via the nightly Inconsistency Scan Results.
- ▶ All confirmations or updates must be submitted by 5:00 p.m. ET on the third CAT Trading Day after the inconsistency was reported to the Industry Member.*
- ▶ Confirmations or updates received after the repair deadline will be accepted but considered late.

*Material Inconsistency resolution deadlines will be enforced effective December 12, 2022

Sample Material Inconsistencies Scenarios

Example 1: Intrafirm Material Inconsistency

- ▶ CRD 555 submits a record for FDID 1A2042 with Customer Melanie Jones having a year of birth of 1975.
- ▶ Six months later, the same Industry Member, CRD 555, submits a record for a new account, FDID 50955, for Customer Melanie Jones having an incorrect year of birth of 1957.
- ▶ CRD 555 receives Inconsistency Code 30002 (Inconsistent data for *yearOfBirth*) for FDID 50955 in the Customer Data Inconsistencies Feedback file.
- ▶ CRD 555 must resubmit a record for FDID 50955 with the corrected year of birth and the *updateNotification* field set to 'true' which will resolve the Material Inconsistency.

Example 1: Intrafirm Material Inconsistency

Submission 1: CRD 555	
FDID	1A2042
Cust. Type	Natural Person
Name	Melanie Jones
Y.O.B.	1975
TIDs File	
TID Value (abbrev.)	c68a96c6f6f640bb...

Submission 2: CRD 555	
FDID	50955
Cust. Type	Natural Person
Name	Melanie Jones
Y.O.B.	1957
TIDs File	
TID Value (abbrev.)	c68a96c6f6f640bb...

***Results in Inconsistency Code 30002 (Inconsistent data for *yearOfBirth*) for FDID 50955.**

Example 1: Intrafirm Material Inconsistency– Resolution

Submission 3: CRD 555	
FDID	50955
Cust. Type	Natural Person
Name	Melanie Jones
Y.O.B.	1975
<i>updateNotification</i>	true
TIDs File	
TID Value (abbrev.)	c68a96c6f6f640bb...

***Resubmission of FDID 50955 with the corrected year of birth and the *updateNotification* field set to 'true' resolves the Material Inconsistency.**

Example 2a: Interfirm Material Inconsistency– Both Firms

- ▶ CRD 555 submitted a record for FDID 1A2042 with Customer Melanie Jones having a year of birth of 1957.
- ▶ One year later, a different Industry Member, CRD 987, submits a record for FDID 21098 for Customer Melanie Jones having a different year of birth of 1975.
- ▶ CRD 987, the Triggering Firm, receives Inconsistency Code 30002 (Inconsistent data for *yearOfBirth*) in the Customer Data Inconsistencies file.
- ▶ CRD 987 confirms the accuracy of its data and resubmits a record for FDID 21098 with a year of birth of 1975 and the *updateNotification* field set to 'true'.
- ▶ Because the year of birth still differs materially from what is currently stored in CAIS for this Customer, CRD 555, the Impacted Firm, then receives Inconsistency Code 30002 (Inconsistent data for *yearOfBirth*) in the nightly Inconsistency Scan Results file.
- ▶ CRD 555 also confirms the accuracy of its data and resubmits a record for FDID 1A2042 with a year of birth of 1957 and the *updateNotification* field populated with 'true'.
- ▶ Even though the year of birth reported by CRD 555 and CRD 987 are different, the Material Inconsistencies are resolved and CRD 555 and CRD 987 will not receive any interfirm inconsistencies for their respective Customer Records for the next 365 days.

Example 2a: Interfirm Material Inconsistency– Both Firms

Submission 1 for CRD 555	
FDID	1A2042
Cust. Type	Natural Person
Name	Melanie Jones
Y.O.B.	1957
TIDs File	
TID Value (abbrev.)	c68a96c6f6f640bb...

Submission 1 for CRD 987	
FDID	21098
Cust. Type	Natural Person
Name	Melanie Faye Jones
Y.O.B.	1975
TIDs File	
TID Value (abbrev.)	c68a96c6f6f640bb...

***Inconsistency Code 30002 (Inconsistent data for yearOfBirth)**

(Confirming) Submission 2 for CRD 555	
FDID	1A2042
Cust. Type	Natural Person
Name	Melanie Jones
Y.O.B.	1957
<i>updateNotification</i>	true
TIDs File	
TID Value (abbrev.)	c68a96c6f6f640bb...

(Confirming) Submission 2 for CRD 987	
FDID	21098
Cust. Type	Natural Person
Name	Melanie Faye Jones
Y.O.B.	1975
<i>updateNotification</i>	true
TIDs File	
TID Value (abbrev.)	c68a96c6f6f640bb...



***The Material Inconsistencies are resolved.**

Note: this does not represent all required customer and account information or specific format and is *for illustration purposes only*.

Example 2b: Interfirm Material Inconsistency– Only Triggering Firm

- ▶ CRD 555 submits a record for FDID 1A2042 with Customer Melanie Jones having a correct year of birth of 1975.
- ▶ One year later, a different Industry Member, CRD 987, submits a record for FDID 21098 for Melanie Jones having an incorrect year of birth of 1957.
- ▶ CRD 987, the Triggering Firm, receives Inconsistency Code 30002 (Inconsistent data for *yearOfBirth*) in the Customer Data Inconsistencies file.
- ▶ CRD 987 resubmits a record for FDID 21098 with the corrected year of birth and the *updateNotification* field populated with 'true' which closes the Material Inconsistency.
- ▶ Because the Material Inconsistency is closed, CRD 555, the Impacted Firm, will *not* receive a Material Inconsistency notification.

Example 2b: Interfirm Material Inconsistency– Only Triggering Firm

Submission 1 for CRD 555	
FDID	1A2042
Cust. Type	Natural Person
Name	Melanie Jones
Y.O.B.	1975
TIDs File	
TID Value (abbrev.)	c68a96c6f6f640bb...

Submission 1 for CRD 987	
FDID	21098
Cust. Type	Natural Person
Name	Melanie Faye Jones
Y.O.B.	1957
TIDs File	
TID Value (abbrev.)	c68a96c6f6f640bb...

***Inconsistency Code 30002 (Inconsistent data for yearOfBirth)**

(Updating) Submission 2 for CRD 987	
FDID	21098
Cust. Type	Natural Person
Name	Melanie Faye Jones
Y.O.B.	1975
<i>updateNotification</i>	true
TIDs File	
TID Value (abbrev.)	c68a96c6f6f640bb...

***Resubmission of FDID 21098 with the corrected year of birth and the *updateNotification* field set to 'true' resolves the Material Inconsistency.**

Note: this does not represent all required customer and account information or specific format and is *for illustration purposes only*.

Full CAIS Reporting Scenarios

- ▶ Please see the Full CAIS Reporting Scenarios for other illustrations of Material Inconsistencies and Material Inconsistency Resolution.

Key Dates

CAIS Key Dates

Requirement	Date
Production Certification Deadline	July 25, 2022
Interim Reporting Obligation 1: CAT Submitters – Partial Submissions <ul style="list-style-type: none"> For a single date within the range specified, complete a scheduled partial submission to the Production Environment in Full CAIS Format. FINRA CAT began contacting CAT Submitters on August 1 to schedule their partial submission dates. 	August 15 – September 15, 2022
Interim Reporting Obligation 2: All Industry Members – Submission of all FDIDs and Customers <ul style="list-style-type: none"> For a single date within the range specified, complete a scheduled submission of the FDID Population with CAT-reportable activity between June 12, 2022 and September 30, 2022 to the Production Environment in Full CAIS format. FINRA CAT will begin contacting all Industry Members on October 3 to schedule their specific reporting date. 	October 10 – October 31, 2022
Interim Reporting Obligation 3: Daily reporting of FDID and Customer Data <ul style="list-style-type: none"> All Industry Members must begin daily reporting of FDID Records and changes/additions for all CAT-reportable activity beginning June 12, 2022 through at least September 30, 2022. Corrections to reported data are not required until Interim Reporting Obligation 4. 	November 7, 2022
Interim Reporting Obligation 4: All outstanding Rejections and Material Inconsistencies addressed <ul style="list-style-type: none"> All outstanding rejections and Material Inconsistencies for all CAT-reportable activity beginning June 12, 2022 are resolved. 	December 5, 2022
Full CAIS Compliance date (Error correction timeline fully enforced) <ul style="list-style-type: none"> All error repair and Material Inconsistency resolution deadlines are enforced. 	December 12, 2022

Compliance dates are listed in the [Timeline](#). See also [CAT Alert 2022-01](#).

CAIS Resources

CAIS Resources

- ▶ [Full CAIS Technical Specifications for Industry Members](#)
- ▶ [Customer and Account Schemas \(Full CAIS\)](#)
- ▶ [Full CAIS Industry Member Reporting Scenarios](#)
- ▶ [Full CAIS Known Issues List and Planned Full CAIS Technical Specifications Updates](#)
- ▶ [CAT Alerts](#)
- ▶ [CAIS Registration & Onboarding](#) page of the CAT website
 - [Industry Member CAIS Onboarding Guide](#)
 - [CAT CAIS Reporter Portal User Guide](#)
 - [Small Firm Roadmap to Full CAIS Compliance](#)
- ▶ [Section Q of the FAQs](#)
- ▶ [CAIS industry webinars](#) (Past Events and Future Events)
- ▶ [Video Tutorials](#)

FINRA CAT Helpdesk

Questions may be directed to the FINRA CAT Helpdesk at 888-696-3348 or help@finracat.com

Q&A

How to Ask a Question during Today's Call

- **For participants using computer audio:**
 - Click 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.