Five steps to successful CAT phase 2c reporting

Tips to Help Your Firm Get Ready for 2021 CAT Go-Live Phases and Other Regulatory Reporting Requirements
With the Phase 2a implementation of FINRA’s Consolidated Audit Trail (CAT) fully behind us, the industry turns its focus to Phase 2b testing of firm-to-firm and exchange linkage validations, expecting to last at least until the production go-live date of January 4, 2021.

Just a few weeks later, on January 25, 2021, the Phase 2c test environment begins, requiring industry members to file submission and data integrity validations for equities, in preparation for the go-live on April 26, 2021. Phase 2c will focus on Allocation Reports¹, which relies on the building interfaces to systems that have not previously been part of CAT reporting, such as back-office systems to capture name and address information, as well as customer account and large trader identifier (LTID) reporting.

**Will your firm be ready for Phase 2c testing beginning on January 25, 2021?**

To help firms achieve successful testing, validation and go-live, here are five useful tips to prepare for the near-term and longer-term phases of CAT while also positioning themselves well to meet other reporting requirements.

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1. Consolidated Workflow

A consolidated workflow capability across all phases of CAT eliminates concerns about the specific systems supplying your CAT data from a reporting perspective. Account-based reporting provided through a single platform ensures higher quality of data that is better linked, organized and managed. A consolidated approach can also reduce operational stresses by offering mutualized workflows, rules and real-time alerting.

LEARN MORE ABOUT BROADRIDGE’S CONSOLIDATED WORKFLOW APPROACH TO CAT.
Phase 2c requires firms to create and manage FDIDs and mappings to internal identifiers across back-office and other systems, introducing different input/output formats into the process to be able to report allocations. This expansion of scope for allocations reporting requires firms to understand their current business processes and workflows when it comes to allocations. Having an expert who already has interface and mapping infrastructures in place can help alleviate the time and effort of managing these connections, while setting a foundation for future CAT or other reporting formats.

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3. Changes In Order Event Reporting

Phase 2c for equities extends the scope of reporting from Phase 2a, introducing new message types and requiring full reporting of representative order scenarios deferred from the initial equity reporting phases. This will highlight many of the front-office changes and complexities resulting from Phase 2a, particularly in event linkage scenarios. Some firms are struggling to properly establish linkages across events; therefore, the root causes for these breakages need to be addressed prior to Phase 2c go-live, where more complex events could lead to higher linkage error rates and more complex root-cause analysis and remediation. Take the time to understand your firm’s current business processes and workflows in terms of its ability to manage more complex order handling scenarios.

LEARN ALL ABOUT ALLOCATIONS REQUIREMENTS FOR CAT PHASE 2C AT
https://www.catnmsplan.com/faq#U
4. In-house Resources

Evaluate the ability of your internal resources and levels of expertise to meet the Phase 2c CAT requirements. As virtual office environments continue in the new normal, it may be especially difficult to complete all the necessary work to meet testing and production go-live dates, while also balancing the effort with other business initiatives. Have a plan to tap into other sources of knowledge and expertise to assist should you become concerned about falling behind the curve.

Contact the FINRA CAT Helpdesk at 888-696-3348 or at help@finracat.com to ask connectivity questions and get support, initiate a request, and make changes to connectivity and interface methods.
5. A Strategic Reporting Approach

In addition to CAT, your firm’s ability to reduce exposure to new and evolving reporting mandates globally – such as Dodd-Frank, EMIR, MiFID II, SFTR, and G20 derivatives legislation – is crucial to controlling compliance and audit risk. A strategic, multi-asset regulatory reporting platform can provide an extensible, multi-jurisdictional enterprise control framework that can streamline all your trade and transaction reporting processes today and in the future.

LEARN MORE ABOUT THE ADVANTAGES OF ADOPTING A STRATEGIC APPROACH TO REGULATORY REPORTING.
Staying Engaged in the Process

Continuously working with your technology partners and compliance officers will ensure that you have all the information you need to prepare for the next phases of CAT testing and production. Evaluate your team’s ability to handle the workload in-house during these challenging times and seek partners who successfully combine industry knowledge and innovation. They might just be able to help you discover new opportunities, avoid potential obstacles, and achieve future business efficiency and growth from their CAT implementation.

1 The CAT NMS Plan defines an Allocation Report as “a report made to the Central Repository by an Industry Member that identifies the Firm Designated ID for any account(s), including subaccount(s), to which executed shares are allocated.” This includes the booking of shares/contracts into the same account for which an order was originally placed, and the booking of shares/contracts into an account based on allocation instructions (e.g., subaccount allocations). Allocation Reports are reported to CAT via the Post-Trade Allocation (MEPA) and Option Post-Trade Allocation events (OCOPA). The CAT reporting obligation for allocation events belongs to the firm performing the allocation, which is generally the clearing or self-clearing firm processing the allocation.

2 Broadridge also offers “a la carte” CAT or other regulatory trade and transaction reporting services based on specific client needs.

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