

MEMO# 30042

July 18, 2016

ICI Submits Comment Letter to SEC on Proposed National Market System Plan to Implement the Consolidated Audit Trail

[30042]

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TO: CHIEF INFORMATION SECURITY OFFICER ADVISORY COMMITTEE
EQUITY MARKETS ADVISORY COMMITTEE No. 24-16
ICI GLOBAL TRADING & MARKETS COMMITTEE No. 30-16
SECURITIES OPERATIONS ADVISORY COMMITTEE
SEC RULES MEMBERS No. 33-16 RE: ICI SUBMITS COMMENT LETTER TO SEC ON PROPOSED NATIONAL MARKET SYSTEM PLAN TO IMPLEMENT THE CONSOLIDATED AUDIT TRAIL

ICI recently submitted a comment letter to the Securities and Exchange Commission (“SEC”) on a national market system (“NMS”) plan to create a consolidated audit trail (“CAT”) designed to allow regulators to track all trading activity in the U.S. equity and options markets. As previously reported, the proposed CAT NMS plan details the methods by which self-regulatory organizations (“SROs”) and their members (i.e., broker-dealers) would record and report information to the CAT. [\[*\]](#) The proposed NMS plan also sets forth information about how the central processor for the CAT would maintain data accuracy, integrity, and security.

The ICI’s comment letter addresses three key aspects of the proposed CAT NMS plan: data security and confidentiality, governance, and the format of data reported to the CAT (“CAT data”). Part I of the letter provides context for our support of the CAT and explains why we remain concerned about the confidential information of registered funds. Parts II and III explain how the data security and confidentiality provisions of the plan pose risks to registered funds and their shareholders and identify certain measures that would improve the safeguards of CAT data and prevent its misuse. In Part IV, we examine the governance of the proposed CAT NMS plan and recommend that the Commission adopt a governance structure that includes representatives from industry participants other than SROs, including advisers to registered funds. In Part V, we suggest that the CAT NMS plan ensure that the plan processor accepts data in a commonly used format to increase the quality of reported data and decrease the cost of reporting to the CAT.

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George M. Gilbert
Counsel

[Attachment](#)

endnotes

[*] See ICI Memorandum No. 29900 (May 6, 2016), available at <https://www.iciglobal.org/iciglobal/pubs/memos/memo29900>.

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