

Title: Amendment to CAT (Consolidated Audit Trail) NMS Plan to LIMIT FINE AMOUNTS: Comment Period Re-Opened to 9/3/2021

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Obligatory: Not financial advice. \[Insert witty comment about tiny pea brain and 4th of July hangover here\].

**\*\*TL&dr;:\*\*** The CAT (Consolidated Audit Trail) "Operating Committee", comprised of major exchanges and FINRA, has submitted an amendment to the CAT NMS Plan to reduce their exposure in the event they are caught cheating the system... Oops, I mean, if inaccuracies are found in their reported information. Lowering the exposure, means less costly fines. As we all know, lower fine \$ amounts DO NOT lead to firms following the rules stringently and could lead to manipulated securities or markets (shocked, I'm sure you are). Link at the bottom of the post to submit comments to the SEC on the amendment.

# OATS & CATS - Am I in a Fucking Barn?

Not long ago the SEC finally approved the long overdue CAT (Consolidated Audit Trail) in place of the current system, OATS (Order Audit Trail System). This change is to take place on 9/1/2021.

OATS is a very manual system where "FINRA member firms are required to develop a means for electronically capturing and reporting to OATS specific data elements related to the handling or execution of orders." As we all know, "mistakes" are frequently made using this manual reporting system which results in "fines" that businesses are required to pay years later. These fines are just simply a cost of business to these firms because the fine \$ total is never close to the amount of money the company profited from those mistakes in most all occurrences. [OATS Rule](https://www.finra.org/filing-reporting/market-transparency-reporting/order-audit-trail-system-oats)

CATS "tracks orders throughout their life cycle and identifies the broker-dealers handling them, thus allowing regulators to efficiently track activity in Eligible Securities throughout the U.S. markets." This is a very electronic tracking system with near real time tracking of handling/executing orders with more stringent reporting requirements and will lead to a market functioning closer to the letter of the law UNLESS the fines don't match the crime... [CATS Plan](https://www.catnmsplan.com/)

Here's a quote from Lucy Komisar's work [The Gamestop Mess Exposes the Naked Short Selling Scam](https://prospect.org/power/gamestop-mess-exposes-the-naked-short-selling-scam/):

"AFTER THE "FLASH CRASH" IN MAY 2010, where stocks sharply dropped in a matter of minutes, the SEC said it would create a consolidated audit trail (CAT) on trading in stocks and options. The order and trade execution information it collected would identify and enable punishment of illegal trading activities, including naked short selling."

# Amendment to CAT NMS Plan

On 1/6/2021, The Operating Committee of CAT containing all of the major players (Major exchanges/FINRA), have added an amendment to this plan to limit their exposure in the event they continue to make "mistakes" with their filings. On 6/25/2021, the SEC announced an extension to continue reviewing the amendment before approving or denying:

[ ](https://preview.redd.it/sx7ambuj5h971.jpg?width=851&format=pjpg&auto=webp&s=a634f07f67f3b79fa95a0902904752fc2aeef717)

[https://www.sec.gov/rules/sro/nms/2021/34-92266.pdf](https://www.sec.gov/rules/sro/nms/2021/34-92266.pdf)

## # What are Limitation of Liability Provisions?

A limitation of liability clause is a \*\*provision in a contract that limits the amount of exposure a company faces in the event a lawsuit is filed or another claim is made.\*\* \*\*If found to be enforceable, a limitation of liability clause can "cap" the amount of potential damages to which a company is exposed.\*\* The limit may apply to all claims arising during the course of the contract, or it may apply only to certain types of causes of action. Limitation of liability clauses typically limit the liability to one of the following amounts: (i) the compensation and fees paid under the contract; (ii) an agreed upon amount of money; (iii) available insurance coverage; or (iv) a combination of two or more of the above. [Define Limitation of Liability Provisions](https://www.bakerdonelson.com/The-Sky-is-Not-the-Limit-Limitation-of-Liability-Clauses-May-Be-the-Solution-to-Cap-Your-Contractual-Liability-05-10-2007)

So, let's just say, a company is found to have fraudulently (naked shorted) shorted 1 billion shares of a hypothetical company to artificially suppress the share value in order to prevent themselves from going bankrupt due to a short squeeze from a rise in the security price. This amendment would allow them to cap the fine out at a maximum \$ total... I say again, \*\*This would allow them to CAP THE FINE \$ TOTAL\*\*.

There should be no cap. This company should get fined OUT OF EXISTENCE.

## # How to Submit a Comment on the Amendment:

The comment period for this amendment is open until 9/3/2021. If you have any thoughts on the amendment and would like to voice your concerns to the SEC, let me help you:

1. Go here: [https://www.sec.gov/rules/sro/nms.htm#4-698](https://www.sec.gov/rules/sro/nms.htm#4-698)
2. Submit Comments on amendment with this button:

<https://preview.redd.it/oym62lfa7h971.jpg?width=632&format=jpg&auto=webp&s=a96544fb88b9c8d7e7d7479b17102564cf1633e1>

That's all I've got for ya. Tanks fo' readin'