

SEC Rule 613 - Consolidated Audit Trail (CAT)

SRO Industry Event – Pre-RFP Bidders Conference

January 29, 2013



Agenda

- Introductions and Overview
- Summary of Information for Bidders Document
- RFP Timeline
- Industry Feedback Received
- Feedback and Communication
- Q&A

Disclaimer

The SROs are committed to the transparency of the RFP process and to providing a fair environment for all potential bidders. The comments presented today by the SRO representatives are intended solely to inform the audience of the CAT technical and business requirements and the associated services that the SRO consortium believes will be required to build, operate and maintain the CAT. Although some SROs are potential bidders, the SRO representatives participating in today's Pre-RFP Bidders Conference represent the views and decisions of the SRO consortium, rather than those of any individual SRO. Some personnel of the potential SRO bidders may be involved in assisting both the SROs' joint efforts as a consortium and the individual SRO's RFP responses.

Bidder Qualifications

The SROs are seeking a single bid that addresses the technology, business and operational requirements of the CAT. Bidders' RFP responses will need to demonstrate their expertise and experience in the following key areas:

■ Technology:

- Technical approaches on the architecture and design to allow for scalability of the solution and to adapt to changes and growth of the CAT

■ Securities Industry Knowledge:

- Knowledge of securities markets, order and execution practices and processing large volumes of complex data
- Ability to identify information/data needed to support regulation of new trading practices, in addition to new SEC and SRO rules as they evolve

■ Operational – Technical:

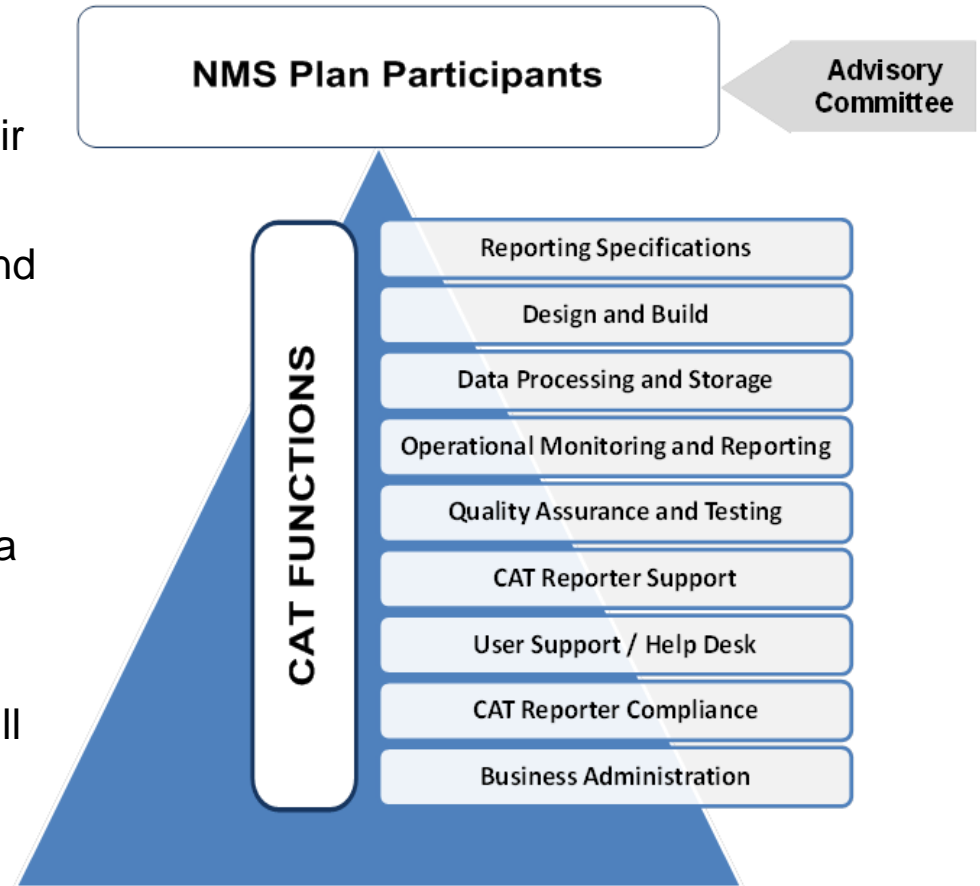
- Support and maintain systems, applications and the processing of data

■ Operational – Non-Technical:

- Set-up and management of functions including reporting and oversight, finance, legal and general support activities to run the business

CAT Oversight and Management Structure

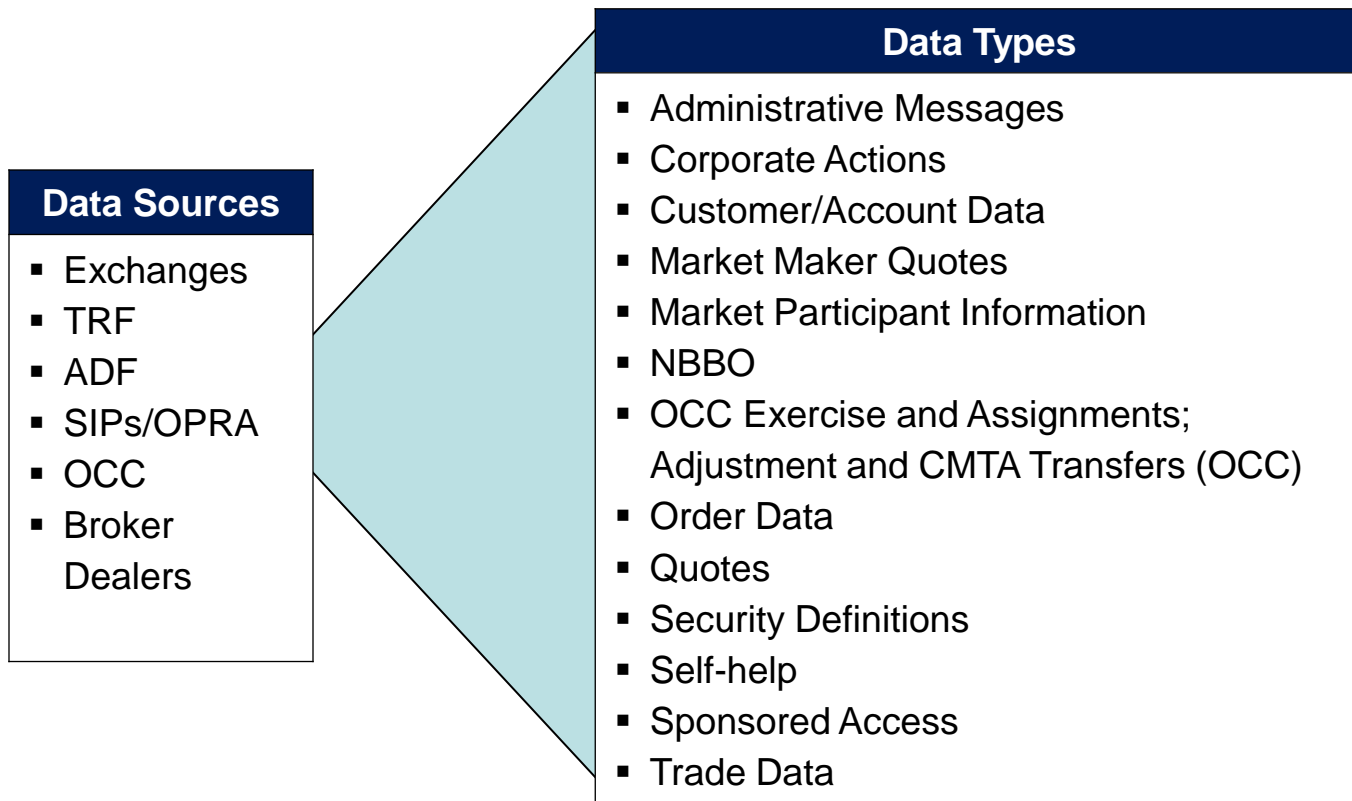
- An Advisory Committee will be established to advise the SROs in their governance role of the CAT
- CAT staff will interface with internal and external constituents and will have a key role in the development of CAT reporting guidance
- A compliance program will be established and directly managed by a senior level Chief Compliance Officer (CCO)
- Regular reviews of CAT operations will be conducted by the CCO to assure continued effectiveness



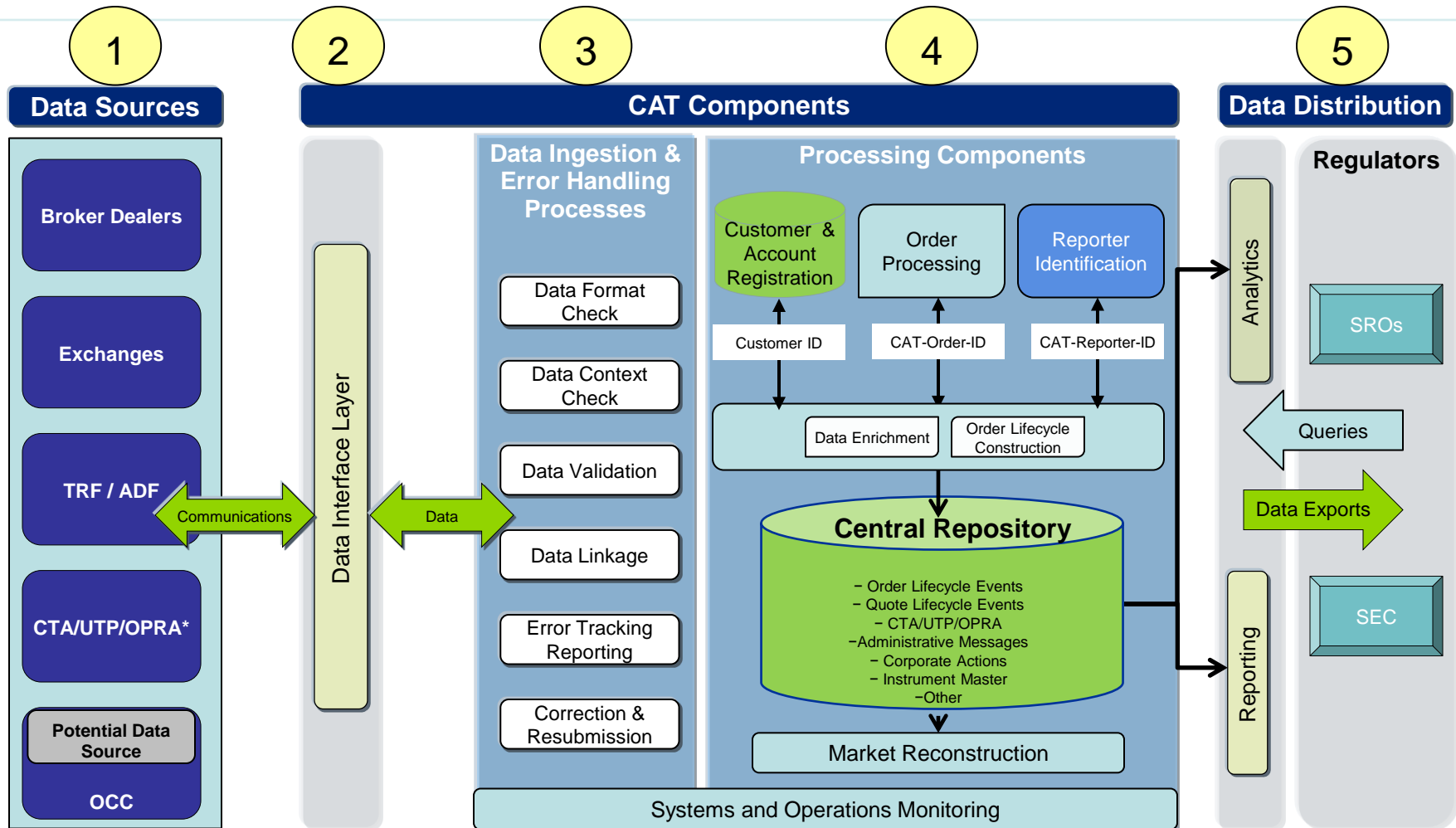
Proposed CAT Oversight Structure

Data to be Captured by CAT

- The CAT is expected to receive over 50 billion records (10 terabytes) of data per day from CAT Reporters. Certain types of data will need to support real-time data feeds
- It is anticipated that there may be approximately 2,000 CAT Reporters
- The SROs are developing additional detailed record estimates to be included in the final RFP



Processing and Repository Overview



*CAT needs to support real-time reporting from SIPs and batch submissions

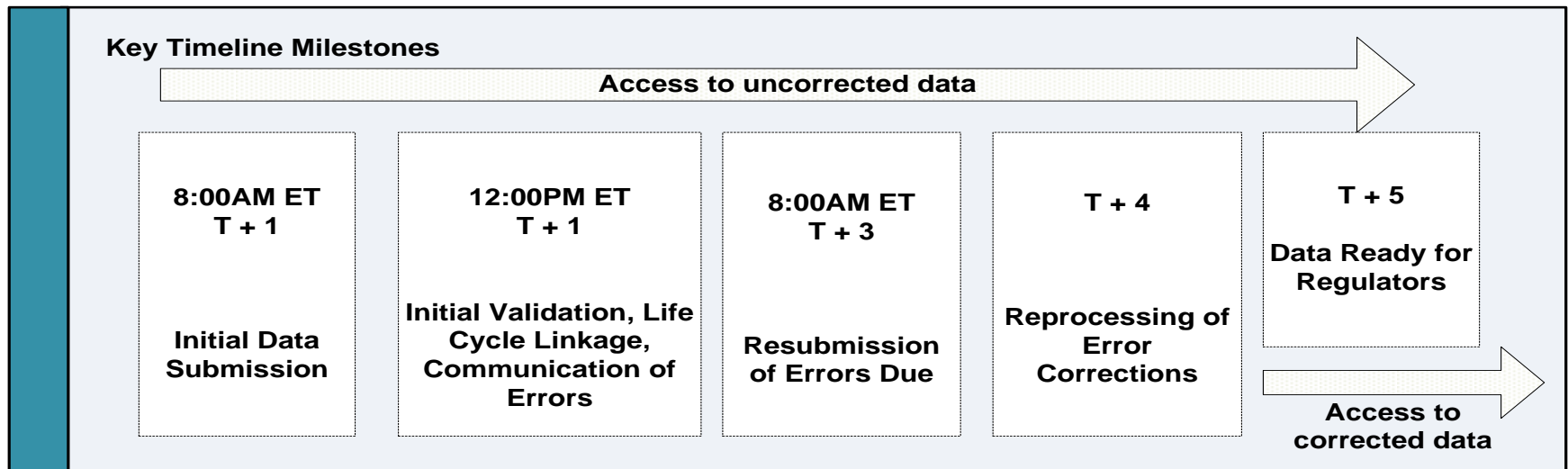
Order Lifecycle Assembly

The CAT must link and store the complete lifecycle of each order and quote, including customer and account information

- Individual order lifecycle events must be linked such that each unique event (e.g., route, execution, modification) can be quickly and easily associated with the originating customer(s) for both targeted queries and comprehensive data scans
- At a minimum the CAT must be able to handle the following scenarios:
 - Agency
 - Riskless principal
 - Order routed from one exchange to a second exchange
 - Average price account
 - Order aggregation and disaggregation
 - Subaccount allocations

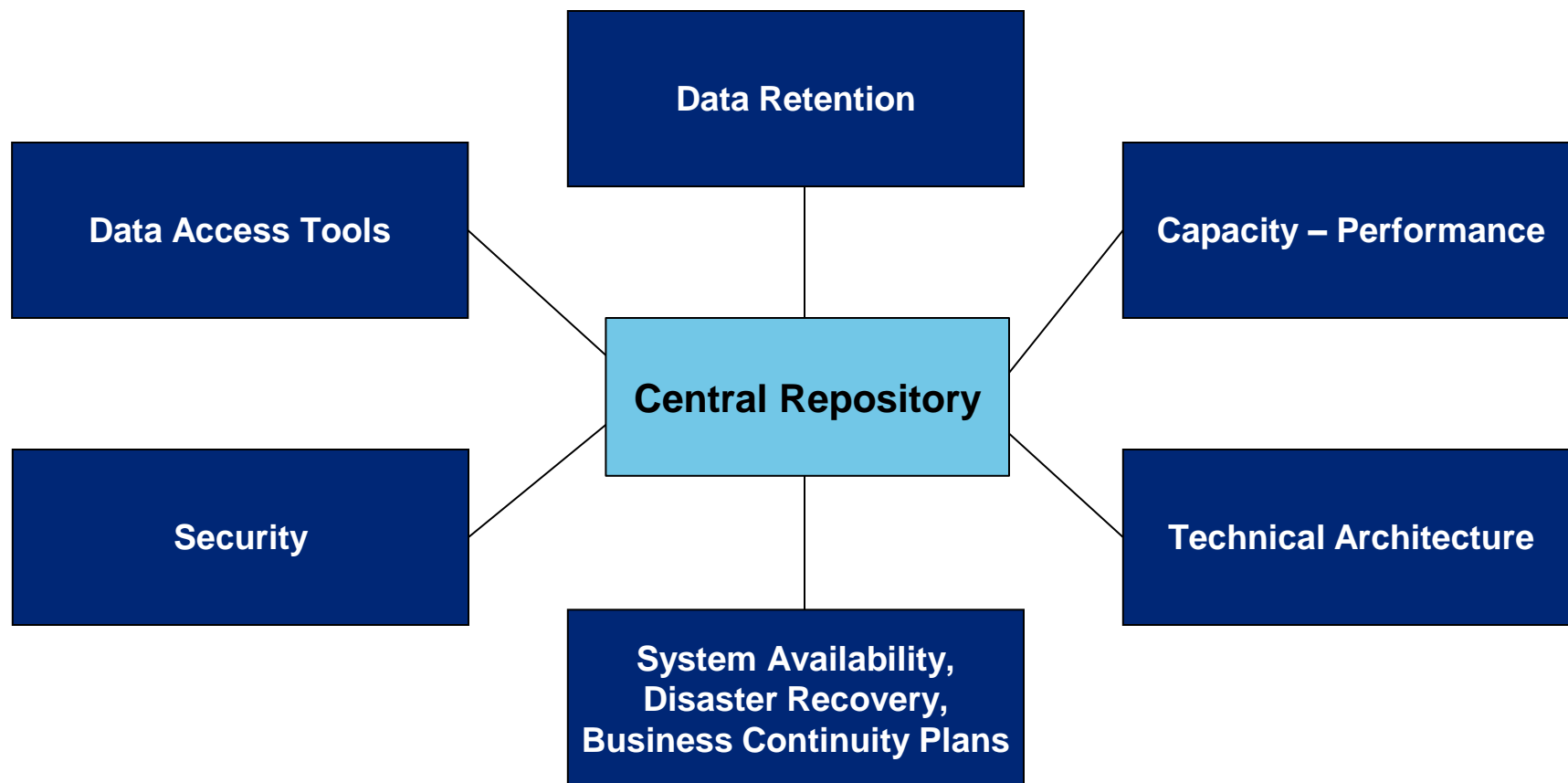
Processing Timeframes

- The processing timelines start on the day the order event is received by the CAT for processing
- It is expected that at any point after data is received by the CAT and passes basic format validations, it will be available to SRO regulatory staff and the SEC which may be before 12:00 pm ET T+1



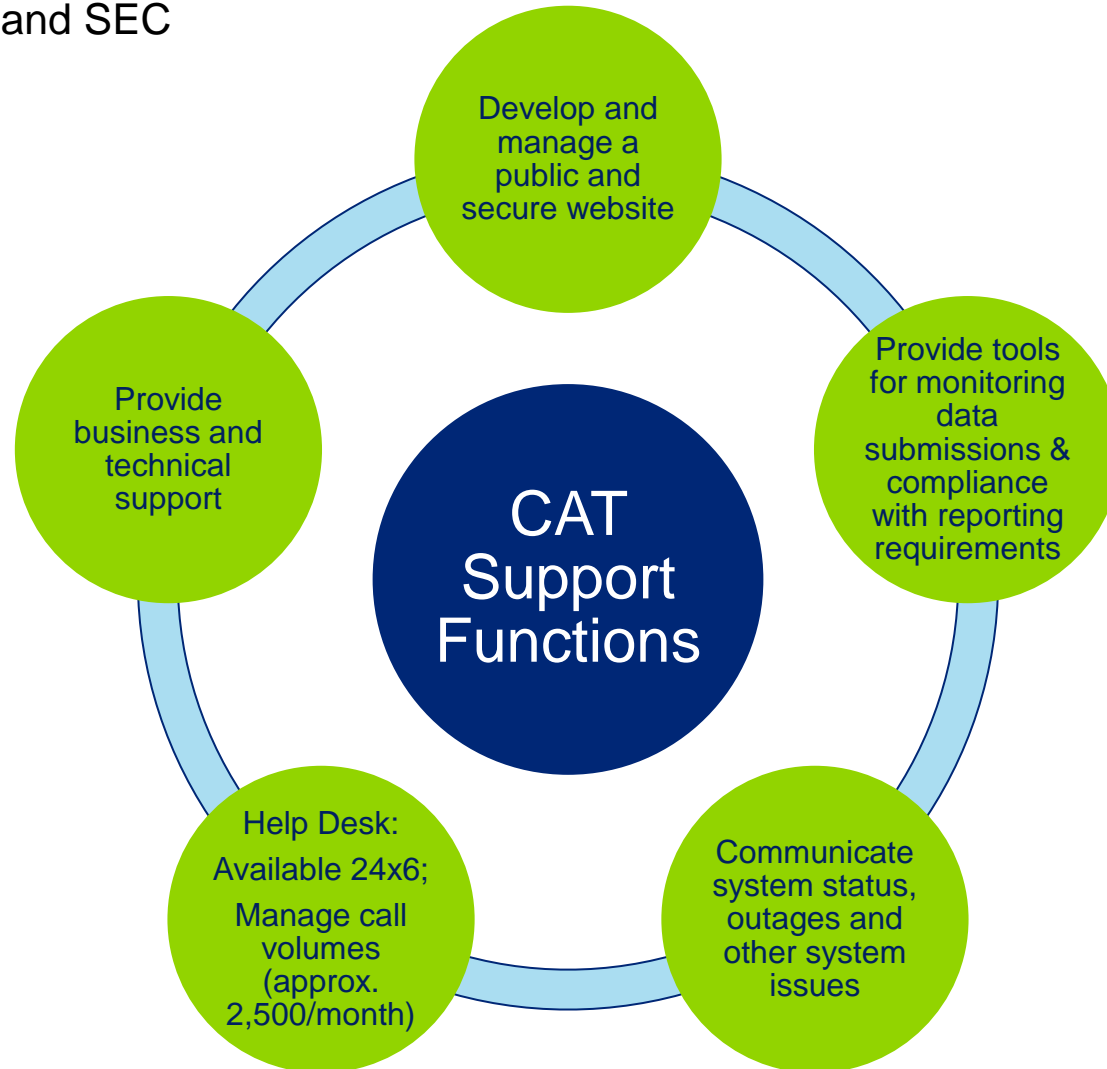
Central Repository

SRO regulatory staff and the SEC must have the ability to access all data, which includes both processed and unprocessed data



CAT Support Functions

The CAT will be required to provide support tools and services to CAT Reporters, SROs regulatory staff and SEC



CAT Reporter Compliance

■ The following activities must be performed:

- On a daily basis, identify CAT Reporters that have exceeded the maximum allowable error rate. Once identified CAT Reporters must be notified and be informed of the specific reporting requirements that they did not fully meet
- Notify CAT Reporters of ongoing issues that may constitute a pattern and practice of CAT reporting violations over a prolonged period of time via periodic CAT Reporter Compliance Report Cards
- Provide periodic reports and relevant metrics to NMS Plan Participants that allow them to oversee the quality and integrity of the reporting to the CAT
- Provide information to the NMS Plan Participants on the performance of individual or multiple CAT Reporters

Business Administration

The following functions are necessary to support the operation of the CAT

Function	Key Responsibilities
Reporting and Oversight	<ul style="list-style-type: none">▪ Attend regular meetings held by the NMS Plan Participants▪ Provide regular reports on the operation and maintenance of the CAT, including board-level operational and performance management information▪ Provide regular reports for review by the NMS Plan Participants and the SEC
Finance	<ul style="list-style-type: none">▪ Manage accounts payable and receivable▪ Perform budgeting and forecasting▪ Perform bookkeeping▪ Produce financial statements and reports▪ File local, state and federal taxes for the CAT
Legal	<ul style="list-style-type: none">▪ Perform legal activities in the management and business activities of the CAT▪ Support creation and review of non-disclosure agreements, non-compete agreements and other contracts▪ Advise and manage licensing and maintenance agreements (e.g., software)
General Support	<ul style="list-style-type: none">▪ Manage procurement activities▪ Manage facilities▪ Support external audits and oversight reviews▪ Interact with the SEC and SROs

CAT Build and Implementation Timeline

The anticipated build and implementation timeline is as follows:

Build and Implementation Timeline	Timeframe from the effective date of the NMS Plan
▪ Develop and publish approved exchange interface specifications and protocols	6 months
▪ Implement exchange reporting	12 months
▪ Develop and publish approved broker-dealer interface specifications and protocols	12 months
▪ CAT data to be available to SROs for regulatory purposes	14 months
▪ Implement broker-dealer reporting	24 months
▪ Develop and publish small broker-dealer reporting tools	24 months
▪ Implement small broker-dealer reporting	36 months

RFP Timeline

The SROs are in the process of submitting an exemption request to the SEC to extend the due date for filing the NMS Plan until December 2013. If approved by the SEC, the RFP timeline will be as follows:

RFP Milestone	Date
Publish RFP	February 21, 2013
Intent to Bid Submission	March 1, 2013
Question Submission Deadline*	March 8, 2013
Bidders Conference	March 19, 2013
RFP Response Due	April 18, 2013
RFP Selection Process	May thru June 2013
Selection of Bidder	July 2013
NMS Plan Filed	December 2013
Formal Selection of Bidder	Within two months of SEC approval of NMS Plan

* Responses to vendor/RFP questions will be posted on www.catnmsplan.com

RFP Response Sections

In advance of the final RFP document, the following structure will be required for RFP submissions:

- Executive Summary
- System Overview
- System Functionality
- Detailed Descriptions of the Understanding of the RFP Requirements
- Company Profile
- Contract Terms and Costs
- Implementation Milestones
- Staffing

Industry Feedback Received

- CAT NMS Plan Timeline
- CAT-Reporter-ID
- Customer ID
- CAT-Order-ID
- Average Price Processing and Allocation Model
- Representative Orders
- Error Correction Timeframe
- Options
- Symbology
- Timestamp Granularity
- Cost-Benefit Analysis

Feedback and Communication

- The SROs have established a dedicated email address to receive feedback. Feedback on the Information for Bidders Document should be submitted to: feedback@catnmsplan.com. Please note all comments received will be published on the www.catnmsplan.com website
- Periodic updates will be made and posted to the www.catnmsplan.com website, as requirements and decisions are made. Notifications of updates will be distributed via email
- A separate mailbox will be established for the RFP submission. Details of that RFP submission process will be included in the final RFP document