

Electronic Blue Sheets: No End in Sight

Despite CAT's initial implementation, Electronic Blue Sheets (EBS) remains a regulatory necessity and risk for firms in the wake of Reddit and Gamestop (GME).

Background

While the first phases of CAT are up-and-running, firms continue to find Blue Sheets a core component of their regulatory reporting obligations, with retirement of Blue Sheets (at least for equities) appearing a long way off. Recent developments with Reddit and market events such as Gamestop (GME) are expected to lead to increasing numbers of Blue Sheet requests from the SEC, FINRA and other SROs – though firms were already noticing an uptick in the number of Blue Sheet requests after the New Year. Keep reading to see how n-Tier can help you and your business prepare.

What does this mean for firms?

These developments are a stark and dismal reminder that Electronic Blue Sheets continue to be an integral part of the regulatory toolkit, and that the potential for enforcement action still looms for firms that are not (or no longer) devoting appropriate resources and attention to ensuring the accuracy and completeness of their Blue Sheet submissions – particularly due to the increasing demands and burdens to comply with CAT and CAT CAIS. And unfortunately, this regulatory risk will linger for up to six years after CAT effectively replaces Blue Sheets due to the ongoing regulatory need for historical (pre-CAT) transactions that are covered by record retention requirements.

Additionally, firms trading fixed income securities should take that note CAT's current scope only includes equities and options – meaning that retirement of Blue Sheets for fixed income securities is nowhere in sight – and a recent SEC enforcement action specific to fixed income Blue Sheet submissions has highlighted intensifying regulatory scrutiny on the accuracy and completeness of fixed income Blue Sheet data. Firms that historically focused Blue Sheet oversight and controls on equities and options requests should consider a shift in tactics as CAT progresses and Blue Sheets is gradually phased out for equities and options.

How n-Tier can help

- A fully automated, pre-submission reconciliation and validation of Blue Sheet reporting (EBS Data vs Source Trade, Allocation and Reference Data) with both automated and manual correction capabilities, as well as automated consumption of the inbound Blue Sheet requests (PDFs) – supporting equities, options and fixed income securities.
 - Reconciliation with TRACE reporting for Blue Sheet requests in TRACE-eligible securities.
- Reconciliation, validation, and correction of historical Blue Sheet submissions for analysis, quantifying issues, and resubmission efforts.