

FINRA CAT's Full CAIS (2e) Reporting

Important Reminders for Introducing & Executing Brokers

Background

As a follow-on to our white paper on Full CAIS, "FINRA CAT CAIS: Preparing Now & Implementing Appropriate Controls Before Sharing All Your Customer and Account Data With Regulators", we have highlighted some key aspects of Full CAIS for Introducing and Executing Brokers, along with lessons learned from the CAIS LTID phase.

First and foremost, there are NO exceptions or exemptions for Full CAIS (unless a firm solely receives orders from and/or clears proprietary transactions for other Industry Members). All FDIDs that a firm reports to FINRA CAT in Order and/or Allocation Events must be reported to CAIS under the firm's CRD number. The scope of FDIDs reportable to Full CAIS in July started on January 11, 2022, with reporting required on all FDIDs active on / after that date by July 11, 2022.

What does this mean for firms?

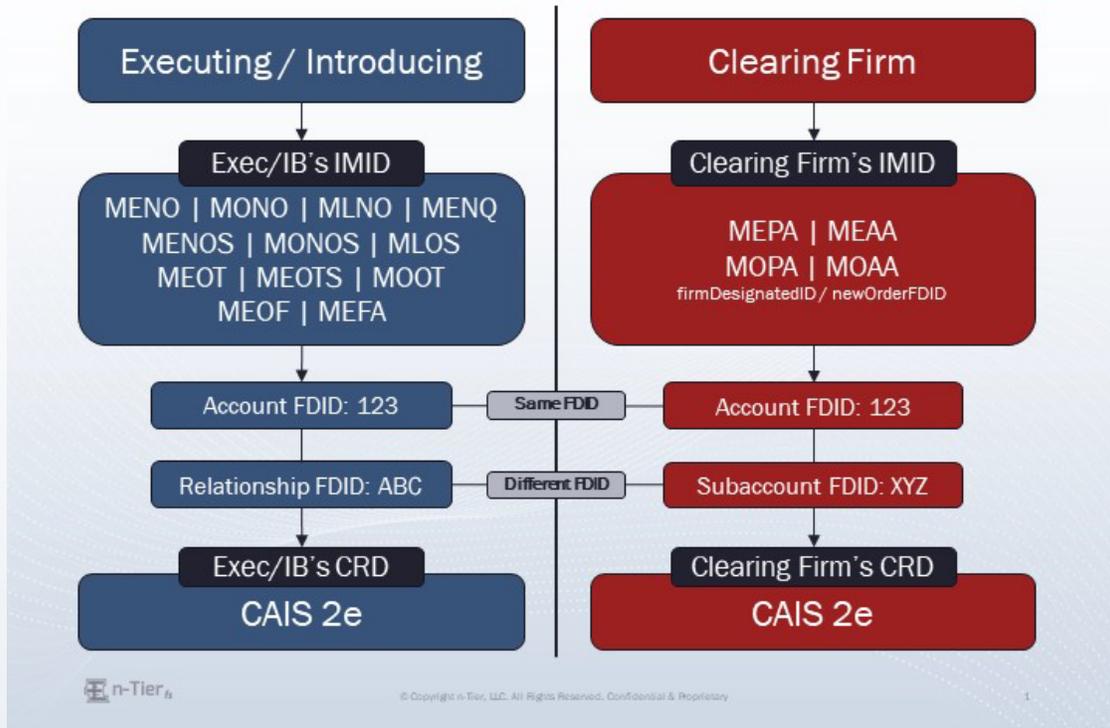
Clearing firms may or may not offer to generate and submit Full CAIS data for correspondents, and the answer may partly depend on whether the clearing firm has all front-office FDIDs that correspondents are reporting to FINRA CAT. For example, in the CAIS LTID phase, many Executing and Introducing Brokers with institutional customers found that their clearing firm did not have the Relationship (or top / parent account) FDIDs reported to FINRA CAT in Order Events and were therefore not reporting those FDIDs (with LTIDs) to CAIS LTID.

By way of example, looking ahead to Full CAIS, the diagram on page two depicts both an Executing/Introducing Broker with a Relationship FDID in its OMS/EMS, which its clearing firm does not have nor need for clearance and settlement (or its own CAT / CAIS reporting obligations), and an Executing/Introducing Broker with the same FDID as its clearing firm (by virtue of routing all orders to / through its Clearing Firm).

Even if a clearing firm will report to Full CAIS on a correspondent's behalf, which will be done under the correspondent's CRD number, Introducing and Executing Brokers are ultimately responsible for the accuracy and completeness of their CAIS reporting, as well as managing any error and inconsistency feedback from FINRA CAT CAIS. During CAIS LTID, many Introducing and Executing Brokers were not provided with the CAIS LTID files submitted on their behalf – leaving them in the dark, unable to view or otherwise validate / reconcile CAIS LTID data.

Introducing and Executing Brokers need to ensure that all FDIDs reported to FINRA CAT under their IMID(s) are covered for Full CAIS, whether fully or partially reported on their behalf by a clearing firm – and equally important, need to implement a control framework to reconcile and validate CAIS data and manage any errors and inconsistencies. All firms reporting to Full CAIS should expect FINRA Market Regulation to apply the same supervisory standards and requirements outlined in its Regulatory Notice 20-31 to CAIS reporting come July 2022 and beyond.

Correspondent Structure



How n-Tier Can Help

- A complete CAIS control that provides daily delta (or full) customer / account data reporting to CAIS with embedded data quality and integrity controls and an exception management framework to process CAIS feedback and submit repairs and inconsistency affirmations, as needed; or
- A full CAIS reconciliation and validation control to validate the completeness and accuracy of CAIS reporting generated by a clearing firm and/or vendor, along with full exception management capabilities.
- Controls to reconcile FDIDs reported to FINRA CAT in Order / Allocation Events with FDID reported to (and active in) CAIS.

Who We Are

n-Tier is an innovative financial technology company that couples deep industry expertise with a unique software platform to help institutions minimize the risks and costs associated with regulatory reporting.

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