

Questionnaire on Capturing Linkage between Representative and Client Orders

CAT Reporting Requirement

Representative Orders

The CAT NMS Plan requires that the Plan Processor, using the daisy chain approach, be able to link all related order events from all CAT Reporters involved in the lifecycle of an order. This includes linking customer orders to "representative" orders created in firm accounts for the purpose of facilitating a customer order (e.g., linking a customer order handled on a riskless principal basis to the street-side proprietary order).

Net trading will also require similar linkage reporting to CAT. Net Trade is a principal transaction in which a market maker, after having received an order to buy (sell) an equity security, purchases (sells) the equity security at one price (from (to) another broker-dealer or another customer) and then sells to (buys from) the customer at a different price.

The CAT NMS Plan states that lifecycle linkages must include "orders worked through an average price account capturing both the individual street side execution(s) and the average price fill to the customer."

The CAT Plan also requires that life cycles include linkages for an execution of a customer order via the allocation of shares from a pre-existing principal order.

Question: Traders may work a Not Held order over the day and decide, after accumulating a position, when filling the order, whether to fill it on a principal or riskless basis. Must broker-dealers decide after the fact whether the market facing order was placed by the broker in anticipation of this riskless execution? (risklessorderID is required on riskless trade reports).

Answer: If the order was originated specifically to facilitate execution of the customer order, it must be linked to the customer order.

Aggregated Orders

A broker-dealer works to fill two or more customer orders by aggregating them and routing one or more representative orders created in a firm owned or controlled account to the street for execution. Upon receiving the executions from the street side order, the broker-dealer then fills each of the customer orders.

The CAT NMS Plan states that lifecycle linkages must include "orders aggregated with other orders for further routing and execution, capturing both the street side executions for the aggregated order and the fills to each customer order."

Problem Statement

The above CAT reporting requirements may be difficult to meet when:

1. Execution Management Systems (EMS) executes trades to fill the representative order and all relevant representative or client order information is not being sent back to the Order Management Systems (OMS)
2. There may be scenarios where a firm's order handling processes and trading processes do not communicate the above required linkage information between representative orders and executions and the related customer orders and fills.

FIF is identifying specific scenarios which may be problematic and quantifying the extent and impact of these problems. We are asking your assistance by answering the questions below.

Feedback Requested

All data received will be used without any firm attribution, and only to assist in industry-wide cost/impact projections.

Please return your responses to fifinfo@fif.com.

We ask that you return all information by **Friday, April 6**. FIF will review the survey results and any conclusions/recommendations with the FIF CAT Working Group.

Thank you for participating in this survey.

OMS – EMS Scenarios

Whenever an order is sent to the market using an EMS (execution management systems which may include interfaces to algos and Smart Order Routers), where the fills are meant for one or more customer orders either on a riskless, agency or principal basis, CAT will require that every market facing order be linked to the client orders (even when the market facing orders are not filled) and the client fills linked to the market facing orders.

Questions

- Does your firm employ EMSs (electronic execution systems like Flextrade, REDI or PrecISE)?

YES – proceed to next question	
NO - proceed to Question 6	

- If yes, what EMSs does your firm employ? Please complete the following tables, as applicable.

Equities EMS:	Vendor Name	In use by firm- (Yes/No)	# EMSs in use (1, <5, <10, >10)
ITG (Triton)			
Flextrade			
Redi			
Bloomberg Tradebook			
Instinet (Newport)			
Other Vendor (please specify vendor name)			
Proprietary			
Options EMS			
Wex			
Precise			
Other Vendor (please specify vendor name)			
Proprietary			

Equities EMS:	OMS connection (Name or Proprietary)	Capture Client Order ID? Yes/No	Pass back order info to OMS* (Yes/No)
Triton (ITG)			
Flextrade			

Redi			
Bloomberg Tradebook			
Instinet (Newport)			
Other Vendor (please specify vendor name)			
Proprietary			
Options EMS			
Wex			
Precise			
Other Vendor (please specify vendor name)			
Proprietary			

*Do the EMSs currently employed pass back order information such as time order sent, routed order ID, order quantity, price and destination on the execution message sent to the OMS?

3. If the EMSs that are used by your firm do not capture client order ID or pass back client order information to the OMS, what changes do you think will be required to the **business workflow** to meet these CAT requirements for representative orders? (e.g., trader enters order ID to EMS)

4. If the EMSs that are used by your firm do not capture client order ID or pass back client order information to the OMS, what **software changes** would be required to meet these CAT requirements for representative orders?

5. If your firm employs a proprietary EMS, can you provide an estimate in terms of person-days and cost to make the required changes, as well as the amount of time to implement?

Size of Effort	Yes or No	Time to Implement	Yes or No
< 3 person months		< 3 months	
< 6 person months		< 6 months	
< 1 person year		< 1 year	
>1 person year		>1 year	

6. **Other than OMS-EMS scenarios**, have you identified other process flows that would be difficult to capture the required CAT reporting linkages between representative orders and client orders? If yes, please describe these scenarios. If no, please return the survey response to fifinfo@fif.com.

7. In the scenarios you describe in Answer #6, can you describe a solution that would allow capture of the required data for CAT reporting purposes? Do you think **software and/or business workflow changes** would be required? If yes, please describe the potential solution(s).

8. How difficult would you estimate it would be to capture this required linkage data for CAT.

Difficulty	Yes	No	Cost	Yes	No	Explanation
High						
Medium						
Low						

9. What impact do you think these changes would have on your business?