Public Statement

Statement at Open Meeting Regarding the Consolidated Audit Trail NMS Plan

Commissioner Michael S. Piwowar

April 27, 2016

Thank you, Chair White.

I am happy to support the publication of the NMS Plan filed pursuant to Rule 613 (the “Plan”), which would create, implement, and maintain a consolidated audit trail (“CAT”), as well as the related economic analysis. I want to commend the Staff for your doggedness in pursuit of the CAT. You have toiled over the proposal, the final rule, the selection plan, an exemptive request, and now the Plan itself. At this phase of the process, members of the Division of Economic and Risk Analysis deserve the lion’s share of praise; their task was substantial, since an economic analysis was deferred until now. But, as with any Commission action, Staff members in various divisions and offices have contributed to a strong recommendation. Thanks to you all.

While I am acknowledging the contributors to the massive undertaking that is the CAT, I should also pause to mention my predecessors – former Chairmen Mary Schapiro and Elisse Walter, as well as Commissioners Kathy Casey, Luis Aguilar, Troy Paredes, and Dan Gallagher. There may have been disagreement about particular contours of the CAT, but the ambitious project was catapulted forward during an incredibly busy period at the agency because of your collective commitment to improving our regulatory data infrastructure.

Then-Chairman Schapiro described the CAT as a “great leap forward.”[1] She was, and is, absolutely right. But our “great leap forward” is not being done in a single bound. We, together with the self-regulatory organizations (“SROs”), are taking measured strides toward the ultimate feat of introducing a new and incredibly powerful regulatory tool. I am quite pleased that the Plan thoughtfully created by the SROs is faithful to that purpose, and I look forward to seeing the CAT through to completion in the very near future.

The notice being published today poses hundreds of specific questions about details of the Plan in a number of categories, as well as the costs and benefits thereof. I want to highlight a few of those for you. First, the Plan contemplates the retirement of duplicative regulatory data reporting systems, such as OATS, once the CAT is fully operational. Please tell us whether the expectations about eliminating redundancies are realistic, and whether the estimated timelines are reasonable.

In addition, under the Plan certain personally identifiable information (“PII”) will be reported to the CAT, with special protections for any such information. We want to hear what risks the inclusion of PII and other customer-specific information create and whether those risks are appropriate under
the circumstances. And please tell us whether the safeguards built into the Plan provide for adequate security of PII. Does the Plan create the same concerns that were raised in response to FINRA’s catastrophic CARDS proposal?[2]

Finally, I should note that regardless of the particularities, developing and maintaining the CAT is going to be an incredibly costly endeavor. Therefore, it is especially important for our analysis of the Plan to be informed by data. I want to encourage market participants to be catalysts for a robust, data-driven economic analysis. Please give us your perspectives on the costs and benefits of each component of the Plan, as well as the Plan generally.

I have no questions.
