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\$100 Million Audit Trail System Proposed to SEC

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A group of U.S.-based companies calling itself TickLab Partners has told the Securities and Exchange Commission that it can create "a fully functional, consolidated audit trail" of capital markets activity for less than \$100 million upfront and \$100 million a year.

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The group, which includes Noetic Partners of New York, XtremeData of Schaumburg, IL., and Activ Financial Systems of Chicago, said its answer to the SEC's search for an audit trail could be implemented in months, not years, in a letter to the SEC dated August 3.

In May, the SEC said it could take years to develop a consolidated audit trail and estimated the upfront cost at \$4.0 billion and the annual cost at \$2.1 billion. The cost estimate was assailed at the Securities Industry and Financial Markets Association Technology Expo in June as "a waste."

Noetic Partners is a firm specializing in information architecture. Its Noetick Advanced Market Data Analytics Environment provides users with unconstrained access to what it says is a complete set of near real-time tick history. The environment runs on market data delivered by Activ Financial's ActivFeed service and runs on XtremeData's DBx fully-integrated database analytics platform.

In its letter to the SEC, the group said "a system that would provide the necessary consolidated audit trail must include":

- Complete, timely and accurate data from all exchanges, trading places and market participants in standard industry formats
- Current and historical data about trades and quotes;
- At a glance presentation of what is real and true at any given moment in time

"The TickLab partner companies have already designed and built a system that has demonstrated the necessary capabilities: the capture of "full-depth" tick data with compression and near-line storage, the import into a relational database appliance that enables super-fast retrieval and analysis and the design of an appropriate database schema to support easy querying via standard SQL," the group told the SEC, in its comment letter.

The letter was signed by Justin Magruder, CEO of Noetic Partners, Stephen McNeany, CEO of Activ Financial and Ravi Chandran, CEO of XtremeData.

Magruder is a former vice president of Enterprise Information Strategies and Management at the Federal Home Loan Mortgage Corporation (Freddie Mac) from 2007 to 2009.

Separately, FIX Protocol Limited wrote the SEC to recommend the use of the Financial Information eXchange ("FIX") Protocol as the reporting format for the Consolidated Audit Trail. The FIX industry association said that "an existing standard used by thousands and thousands of firms in the financial services industry globally" would make more sense than requiring "a proprietary format for reporting."



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