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## Potential CAT Bidders to Meet in Digital Sandbox

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[Laton McCartney](#)

On January 29, vendors and service providers who might want to bid on creating a Consolidated Audit Trail of all equities and options markets transactions in the United States will convene at the Digital Sandbox in lower Manhattan.

The meeting at the Sandbox, which hosts "wired for hire" events that require networking technology, is the second chance potential bidders will get to ask and get answered questions about the Request for Proposals that will be issued by the Financial Industry Regulatory Authority and national exchange operators.

FINRA and the so-called self-regulatory organizations have been charged by the Securities and Exchange Commission with coming up with a system of delivering all trade details overnight, in response to the Flash Crash of May 6, 2010. The system will allow regulators to rapidly review market activity for causes of disruptions or abuse.

FINRA and the SROs hosted a similar meeting with a similar agenda in Manhattan on December 10. A FINRA spokeswoman, Nancy Condon, said she could not say why the second meeting, which was announced on January 16, was scheduled. FINRA will not discuss anything regarding the CAT initiative. Media is also barred from attending any of the SRO-sponsored meetings.

According to the [SRO's CAT plan](#) website, however, the SROs are in the process of drawing up an RFP plan. According to an updated Proposed RFP Concepts statement that came out on January 16, the SROs say they will publish an RFP plan in mid-February. Selection of a bidder is anticipated "sometime in 2014."

The estimated costs of creating, implementing and maintaining the CAT system vary enormously. Former SEC Chair Mary Schapiro projected the cost of creating CAT at \$4 billion and maintain \$2 billion annually. Tom Kloet, chief executive of TMX, Canada largest stock exchange, said those estimates were exaggerated to the point of being "simply incomprehensible."

The SROs also have asked for an extension until December, for submitting their plan to the SEC. The SEC has mandated receiving a plan by the end of April and has not acted on the request for the extension.

The slowness does not sit well with all potential participants in the process.

"We could have had the trade reporting, market system up by May 1st," said Justin Magruder, president of Noetic Partners, a business data technology systems company. Magruder thinks the CAT business may well go to a major player in the financial technology and consulting arena such as IBM or Deloitte.

According to a recent report by [Deloitte](#) (SEC Rule 613 Consolidated Audit Trail, National Market System), SRO representatives have been meeting regularly to address CAT requirements and have created five working groups to focus on the following aspects of the plan: Plan governance, Technical, Industry Outreach and Input, Cost, and Funding and CAT Expansion.

The consultancy noted that specific technical details regarding the plan included the establishment of a CAT Reporter ID and how data from reporting entities will be transmitted by the CAT processor.

The SROs have identified a number of capabilities that vendors and service providers will need to be awarded the CAT work. Among them:

- Ability to clearly and effectively communicate CAT reporting requirements to business, regulatory and technology constituents
- Experience and expertise of key personnel used in the solution
- Experience with and knowledge of securities markets and order and execution practices, including processing large volumes of complex data
- Ability to identify information/data needed to support regulation of new trading practices, market structure changes and new SEC and SRO rules as they evolve
- Architecture, design and technical approach(es) that effectively address all of the CAT requirements
- System build, maintenance and operational costs.

The Digital Sandbox Network is located at 55 Broad Street, New York, NY 10004. The meeting will be held from 2 to 4 p.m.



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