

Order Audit Trail System

FINRA Eliminates the Order Audit Trail System (OATS) Rules

Effective Date: September 1, 2021

Summary

Effective September 1, 2021, FINRA is amending its rulebook to eliminate the Order Audit Trail System (OATS) rules in the FINRA Rule 7400 Series and FINRA Rule 4554 (Alternative Trading Systems — Recording and Reporting Requirements of Order and Execution Information for NMS Stocks) (collectively referred to as the “OATS Rules”). FINRA has determined that the accuracy and reliability of the Consolidated Audit Trail (CAT) meet the standards approved by the SEC and has determined to retire OATS as of September 1, 2021.

As of September 1, 2021, the updated rule text will be available in the FINRA Manual.

Questions regarding this *Notice* may be directed to:

- ▶ Dave Chapman, Vice President, Market Regulation, at (240) 386-4995 or dave.chapman@finra.org; and
- ▶ for legal and interpretive questions, please contact Darlene Brown, Counsel, Office of General Counsel, at (202) 728-8128 or darlene.brown@finra.org.

Background and Discussion

On November 30, 2020, the SEC approved FINRA’s proposed rule change to delete the OATS Rules from the FINRA Rulebook once members are effectively reporting to the CAT and the CAT’s accuracy and reliability meet certain standards.¹ On June 17, 2021, FINRA filed a proposed rule change for immediate effectiveness setting forth the basis for its determination that the CAT meets these standards.² The OATS Rules will be deleted from the FINRA rulebook effective September 1, 2021.³

June 17, 2021

Notice Type

- ▶ Rule Amendment

Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Operations
- ▶ Senior Management
- ▶ Systems
- ▶ Trading

Key Topics

- ▶ Alternative Trading Systems
- ▶ Consolidated Audit Trail
- ▶ NMS Stocks
- ▶ Order Audit Trail System
- ▶ OTC Equity Securities

Referenced Rules & Notices

- ▶ FINRA Rule 4554
- ▶ FINRA Rule 7400 Series

Firms must continue to report to OATS all order events that occur on or before August 31, 2021. Reports submitted to OATS for order events that occur after August 31, 2021, will be rejected. In other words, August 31, 2021, will be the last “OATS Business Day,” as defined under Rule 7450(b)(3), for which OATS will accept order events and perform routine processing (including incorporation of corrections and repairs of rejections).

OATS will continue to accept reports for order events that occur on or before August 31, 2021, (including, but not limited to, late and corrected reports for such order events) through September 16, 2021. Firms must ensure that their OATS reporting is accurate and complete for all order events that occur on or before August 31, 2021. To assist firms in meeting their reporting obligations, existing OATS guidance will remain posted and available on FINRA’s website for a period of time following OATS retirement.

As noted above, September 16, 2021, is the last day OATS will accept reports for order events that occur on or before August 31, 2021. If, after that date, firms discover errors in their OATS reporting, including inaccurate, incomplete or missing data, they must notify FINRA via email to the OATS Help Desk at customersupport@finra.org.⁴

Firms are reminded that, even after OATS has been retired and the OATS Rules have been deleted, FINRA will continue to monitor for firm compliance with the OATS Rules with respect to order events that occur on or before August 31, 2021.

Endnotes

1. See Securities Exchange Act Release No. 90535 (November 30, 2020), 85 FR 78395 (December 4, 2020) (Order Granting Accelerated Approval of SR-FINRA-2020-024).
2. See [SR-FINRA-2021-017](#). At any time within 60 days of the filing of the proposed rule change, the SEC summarily may temporarily suspend such rule change if it appears to the SEC that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Securities Exchange Act of 1934. If the SEC takes such action, the SEC shall institute proceedings to determine whether the proposed rule should be approved or disapproved.
3. In addition, FINRA made non-substantive technical updates to delete or amend cross-references to the OATS Rules throughout the FINRA Rulebook.
4. Depending on the facts and circumstances of a firm’s OATS reporting errors, FINRA may request that the firm submit a report with pertinent information pursuant to FINRA Rule 4530.