

Crapo Statement at Hearing on the Consolidated Audit Trail
October 22, 2019

WASHINGTON – U.S. Senator Mike Crapo (R-Idaho), Chairman of the U.S. Senate Committee on Banking, Housing and Urban Affairs, delivered the following remarks at a hearing entitled, “Oversight of the Status of the Consolidated Audit Trail.”

The text of Chairman Crapo’s remarks, as prepared, is below.

“Today’s hearing will focus on oversight of the status of the Consolidated Audit Trail, commonly referred to as the ‘CAT.’

“In 2010, in response to the Flash Crash and a number of other market disruption events, the SEC proposed the creation of a real-time tracking system to track securities orders across all markets throughout the life-cycle of the order—from origination, to routing, cancellation, modification or execution.

“At the time, the SEC estimated the creation of the CAT would cost \$4 billion to launch and have ongoing maintenance costs of \$2.1 billion.

“In 2012, I wrote a letter requesting that the SEC consider alternatives to establishing the CAT database, such as housing it on FINRA’s existing Order Audit Trail System, or OATS.

“It has been nine years since the SEC’s initial proposal for the CAT and after multiple challenges and delays it would appear that we have arrived at a version of CAT that realizes real-time, less accurate data is not necessary to the market function and that slightly delayed, more accurate information significantly reduces costs while still preserving the functional improvements CAT is intended to provide. Further, the CAT now better leverages existing resources by recently selecting a subsidiary of FINRA to be the plan processor.

“I continue to have concerns about the costs associated with the build, the volume of the information collected, what information will be collected, who has access to the information collected, and how the information will be secured.

“Last year, Ranking Member Brown and I wrote a letter to SEC Chairman Clayton that emphasized our bipartisan belief that protecting individuals’ personally identifiable information, or PII, is paramount to the American people.

“We have continued to seek a better understanding of what type of PII is being collected, how that information is being used, who can access it and how the data is secured and protected.

“Chairman Clayton’s September 9th statement echoed this sentiment regarding the importance of protecting information collected and stored in the CAT, particularly social security numbers, account numbers and dates of birth.

“Chairman Clayton stated that he believes ‘the regulatory objectives of the CAT can still be achieved without these most sensitive pieces of investor information.’

“Last week, the SROs officially requested a modification to the CAT NMS Plan to exclude the collection of dates of birth, social security numbers, individual taxpayer identification numbers and account numbers.

“This request is long overdue and I encourage the SEC to grant this amendment which, I agree with the SROs, will reduce the risk profile of the data collected and stored in the CAT while still preserving the CAT’s intended regulatory use.

“In his September 9th statement, Chairman Clayton went on to say that even if the SROs reduce the scope of the PII collected, the nature of the data to be included in the CAT ‘necessitates robust security protections.’

“I could not agree more and look forward to hearing from our witnesses on how they plan to address these important issues from each of their unique roles in the creation of the CAT.

“I look forward to receiving an update from each of our witnesses on outstanding issues and challenges that remain to achieving an operational CAT.

“I thank the witnesses for their willingness to appear today.”

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