



June 22, 2026

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-1090

RE: Concept Release on Consolidated Audit Trail and Other Audit Trails and Data Sources; File No. S7-2026-12

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ is pleased to submit this letter to the U.S. Securities and Exchange Commission (“SEC” or “Commission”) in response to its concept release (“Concept Release”) seeking comment in support of its comprehensive review of the Consolidated Audit Trail (“CAT”) and other audit trails and related data sources currently used in the regulation of U.S. securities markets, including comments regarding the funding mechanisms for these audit trails and/or related data sources.² SIFMA commends the Commission for conducting this long-overdue comprehensive review of the CAT. The CAT is currently the market-wide audit trail for the trading of equities and listed options, as the prior market-wide audit trails for these markets have been retired due to the CAT’s implementation. SIFMA’s comments therefore focus on the CAT, and we include below certain recommendations regarding its future direction. Our primary recommendation is for the Commission to take over the funding of the CAT, as CAT funding continues to remain one of the CAT’s largest unresolved issues, and then eventually eliminate the CAT NMS Plan and make CAT subject to direct SEC control.

¹ SIFMA is the leading trade association for broker-dealers, investment banks, and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s one million employees, we advocate on legislation, regulation, and business policy affecting retail and institutional investors, equity and fixed income markets, and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

² Release No. 34-105251 (Apr. 16, 2026), 91 FR 20945 (Apr. 20, 2026). Terms not otherwise defined in this letter have the same meaning as they do in the CAT NMS Plan.

Executive Summary

- Even though the self-regulatory organizations (“SROs”) nominally control the CAT, the Commission is the most significant beneficiary of the CAT and effectively controls it and yet has no responsibility for CAT funding. This NMS plan governance structure excludes Industry Members from any direct role in CAT operations even though they pay 80% or more of CAT costs.
- In the more than 10 years since the CAT was established, this structure has proven unworkable as the Commission has no incentive to control the size or scope of the CAT and the SROs acting under the CAT NMS Plan have no incentive to include outside perspectives in operating the CAT.
- To address these misaligned incentives, SIFMA recommends that the Commission immediately eliminate the current funding model and assume sole responsibility for CAT costs by including in its annual budget request from Congress the amount necessary to fund the CAT. After taking over CAT funding, SIFMA recommends that the Commission eliminate the CAT NMS Plan and directly operate the CAT.
- SIFMA also calls for increased representation of a broader range of stakeholders on a CAT Advisory Committee, including representatives from alternative trading systems (“ATs”), retail brokers, market makers, and information security and technology experts.
- SIFMA supports the recent efforts by the Commission and the CAT NMS Plan Participants to reduce CAT costs, and we continue to urge further cost reductions that do not result in cost-shifting to Industry Members or that would undermine the retirement of redundant legacy systems such as Electronic Blue Sheets (“EBS”). We also support the cost savings recommendations that will be submitted by the Financial Information Forum (“FIF”).
- The Commission should eliminate EBS for equities and listed options and implement a secure, centralized request-response (“R&R”) system to enable regulators to identify accounts associated with trading activity flagged for additional review in CAT.
- SIFMA urges the Commission to revisit its CAT Data Security Proposal from 2020 and implement several of the initiatives discussed in that proposal to ensure that regulators using the CAT transactional database do so consistent with the highest and most current data security standards.

Introduction

As the Commission indicates in the Concept Release, it took almost 14 years for the CAT to be fully built and implemented. The CAT started with the SEC’s 2010 proposal of Rule 613 of Regulation NMS, pursuant to which the SEC proposed to task the SROs with the creation and operation of the CAT under an NMS plan structure. After receiving approval for the CAT NMS Plan in 2016, the SROs represented that they completed “Full Implementation of CAT NMS Plan Requirements” in July 2024 as the Commission notes in the Concept Release. The Commission, however, does not mention in the Concept Release that in May 2020 it imposed the Financial Accountability Milestones (“FAMs”) on the SROs to ensure the CAT was completed in a timely manner. This was driven by the Commission’s frustrations with the SROs’ slow pace of CAT implementation since the approval of the CAT NMS Plan in 2016, and the FAMs were designed

to incentivize the SROs to implement the CAT in a timely manner or face significant financial repercussions.³

While we suspect that this omission is due to the Commission wanting the Concept Release to be forward-looking, we believe it is impossible to ignore CAT's full history in contemplating its future direction. The CAT was ultimately implemented under a tight timeframe during the period from 2020-2024, which led to the development of the CAT without a significant focus or controls on the total cost of the system or a proper mechanism for transparency and oversight thereof.⁴

SIFMA appreciates the strides the Commission and the SROs have made over the past year to address these cost concerns. In this regard, the CAT 2026 annual budget is approximately \$147 million (as of March 2026), and SIFMA expects this budget will be further reduced as more recent CAT costs savings measures become effective, particularly the measures from the Commission's September 2025 exemptive relief order ("2025 Cost Savings Exemptive Order")⁵ that the SROs expanded and added to the CAT NMS Plan through an amendment to the plan approved by the Commission on March 27, 2026 ("March 2026 Cost Savings Amendment").⁶

SIFMA agrees with the Commission that more should be done to reduce CAT costs. We direct the Commission to the comments of the FIF on the Concept Release regarding future CAT cost savings measures. SIFMA continues to urge the Commission and the SROs to focus on CAT cost reduction measures that do not result in increasing Industry Member net compliance and operational costs to achieve such cost savings. This has been the framework under which SIFMA has evaluated prior CAT cost savings initiatives to determine whether those initiatives result in reducing Participant CAT costs while increasing Industry Member CAT compliance costs or creating new inefficiencies.

While the Commission has taken steps to reduce CAT costs, significant problems remain regarding CAT's funding, structure, and governance as the Commission highlights in the Concept Release. In SIFMA's view, many of these problems flow from the NMS plan governance structure for the CAT. This governance structure places all of the governance authority in the SROs and completely excludes Industry Members and investors from any formal governance role, or even meaningful insight or input, even though they pay the vast majority of CAT costs. SIFMA therefore has long advocated for changes to these aspects of the CAT, including recommending that the Commission directly fund the CAT and advocating for greater Industry

³ Release No. 34-88890 (May 15, 2020), 85 FR 31322 (May 22, 2020).

⁴ See (<https://www.sifma.org/wp-content/uploads/2024/03/SIFMA-Comments-on-CAT-Fee-Filings-Historical-Costs-1-Final-3-5-2024.pdf>).

⁵ Release No. 34-104144 (Sept. 30, 2025), 90 FR 47853 (Oct. 2, 2025).

⁶ Release No. 34-105107 (Mar. 27, 2026), 91 FR 16284 (Apr. 1, 2026). SIFMA has certain concerns regarding the March 2026 Cost Savings Amendment that we address below.

Member involvement in the governance of the CAT. These and other SIFMA recommendations are discussed in more detail below.

Regulatory Purpose, Structure and Governance, and Funding of the CAT

Regulatory Purpose of the CAT

As the Commission indicates in the Concept Release, the CAT was designed as a regulatory system to allow the SEC and SROs to oversee the equities and listed options markets. When the Commission adopted Rule 613 of Regulation NMS in 2012 to establish the CAT, it stated that the CAT was needed to address the “outdated and inadequate” regulatory data infrastructure the Commission and the SROs relied upon at that time to “oversee a complex, dispersed, and highly automated national market system” for equities and listed options.⁷ The Commission further stated that the rule “is an appropriate step in the creation of a consolidated audit trail which, when implemented, should substantially enhance the ability of the SROs and the Commission to oversee today’s securities markets and fulfill their responsibilities under the federal securities laws.”⁸ While the CAT directly benefits the SEC and SROs as the regulators of these markets, the benefits it provides to market participants including Industry Members are much more attenuated and flow from the market integrity and investor confidence engendered by SEC and SRO oversight of these markets using the CAT and other tools.

The Commission is the biggest beneficiary of the CAT, using CAT data for surveillance, enforcement and rulemaking purposes. While the SROs also use CAT data for surveillance and enforcement purposes, we are not aware of them using CAT data for rulemaking purposes. In fact, we believe that such a use would be problematic under the CAT NMS Plan provision that limits SROs’ use of CAT data to regulatory purposes only.⁹ On the other hand, the Commission extensively uses CAT data for rulemaking purposes. This was evidenced by the Commission’s substantial use of CAT data to develop its four equity market structure proposals issued at the end of 2022 and beginning of 2023.¹⁰ Even though the Commission extensively uses CAT data for rulemaking initiatives, we are not aware of any limits on its use of CAT data for these purposes.

Despite the comprehensive nature of the current CAT as an audit trail for equities and listed options trading, the Commission’s contemplated regulatory actions in the digital asset space could call into question whether the CAT is able to continue to serve its regulatory purpose. For example, to the extent tokenized equities are permitted to trade outside of registered exchange and broker-dealer platforms, those transactions would not be reported to the CAT absent Commission action to require such reporting. The Commission’s discussion of the CAT in the Concept Release rests on the premises that the CAT provides regulators with

⁷ Release No. 34-67457 (Jul. 18, 2012), 77 FR 45722 (Aug. 1, 2012).

⁸ *Id.*

⁹ See, e.g., Rule 613(e)(4)(i)(A) and CAT NMS Plan at Section 6.5(f)(i)(A), 6.5(g).

¹⁰ See (<https://www.sifma.org/wp-content/uploads/2023/03/Market-Structure-Proposals.pdf>).

comprehensive, cross-market visibility into trading activity sufficient to support surveillance, investigations, and market reconstructions and that such visibility is critical to the Commission's and SROs' oversight responsibilities. Those premises would be strained if economically equivalent transactions are permitted to migrate to execution models that fall outside the CAT's reporting perimeter.

To the extent trading activity occurs away from broker-dealers or exchanges and is not captured by the CAT, the regulatory value of the system as a whole is diminished. A surveillance framework that provides detailed lifecycle visibility for only a subset of functionally substitutable transactions risks producing incomplete market reconstructions. As SIFMA has stated in numerous comments to the Commission, we recommend that the SEC explore approaches to innovation that ensure that regulators continue to have access to the transaction and market information needed to maintain fair and orderly markets.¹¹

Structure and Governance of the CAT

The Commission also effectively controls the CAT in addition to being the biggest beneficiary of it. This control is demonstrated by the Commission's proposal and adoption of Rule 613, which established and ultimately governs the current operations of the CAT. This control is also demonstrated through the Commission staff's practice of providing interpretive positions on the rule and the CAT NMS Plan requirements. Recently, the SROs sought to curtail this practice in their March 2026 Cost Savings Amendment by adopting a spending cap in the CAT NMS Plan to address incremental Commission requests or interpretations of what is required under Rule 613 and the CAT NMS Plan. In proposing the spending cap, the SROs noted that such requests or interpretations have significantly increased the complexity and cost of the CAT. The Commission's control of the CAT also is demonstrated by its authority in Rule 608 of Regulation NMS to approve any material changes to the CAT NMS Plan proposed by the SROs, as well as its authority in that rule to make direct changes to the CAT NMS Plan.

Although all NMS plans are subject to Commission approval and oversight under Rule 608, we believe the Commission's control over the CAT is materially more extensive in practice than what exists with other NMS plans. Unlike other NMS plans, the Commission created the CAT pursuant to Rule 613. The rule prescribes the CAT's core reporting architecture. It also required the SROs to implement the CAT through an NMS plan. The Commission has repeatedly intervened in the CAT's operations through direct regulatory actions such as the FAMS and the 2025 Cost Savings Exemptive Order. While some of these actions have been welcomed, this history supports the view that the CAT operates as a far more Commission-controlled system than a typical SRO-governed system operated under an NMS plan.

Moreover, as the Commission notes in the Concept Release, Industry Members have no direct say in the governance of the CAT. While the CAT has an Advisory Committee, which we discuss later in this letter, Industry Members are not part of the CAT Operating Committee that governs the CAT. Rather, due to the CAT's NMS plan structure, this committee is made up of all

¹¹ See, e.g., (<https://www.sec.gov/files/cft-written-sifma-digital-assets-12-16-2025.pdf>).

of the SROs that operate or regulate markets in equities and listed options. As the Commission recognized in connection with its CT Plan-related reforms of the equity market data plans operated by the SROs, this governance structure in which each SRO is given a vote allows the three large, publicly traded exchange holding companies that own multiple SROs to dominate voting on NMS plans, including the CAT Operating Committee.¹²

This voting structure is especially problematic for FINRA in the context of the CAT. Notwithstanding CAT's audit trail regulatory function for equities and listed options trading and FINRA's role as the primary SRO regulator of these markets, FINRA has only one vote on the CAT Operating Committee (out of 28 current SROs). This is the case even though FINRA pays the largest share of the SROs' portion of CAT costs, it conducts most if not all of the SROs' cross-market surveillance of these markets, and it conducts all regulatory functions of many of the exchanges, all of which are for-profit now and most of which have outsourced their regulatory functions to FINRA.

While the SROs nominally govern the CAT through the CAT Operating Committee, it does not appear that they have embraced this responsibility or that they can manage it through the NMS plan structure. This lack of initiative and challenges with the NMS plan construct are most directly evidenced by the Commission's determination that it was necessary to impose the FAMs on the SROs to get them to timely complete the CAT. In other words, the Commission found that without subjecting the SROs to significant financial penalties, it did not believe that the SROs would complete the CAT in a reasonable timeframe. It is also evidenced by the SROs' inability to unanimously agree on major CAT decisions, including the latest CAT funding model, which is a critical piece to make the CAT function. Both FINRA and Cboe did not vote for and submitted comment letters opposing the latest CAT funding model.¹³

CAT Funding

Even though the Commission is the biggest beneficiary of the CAT and effectively controls it, it is not responsible for any of the CAT's costs. Rather, the vast majority of CAT costs are imposed on Industry Members, and ultimately, investors, through the two CAT funding models the Commission has approved, the second of which is essentially the same as the one the 11th Circuit Court of Appeals vacated last year.¹⁴ As we have noted previously, notwithstanding the funding model's purported split of one-third of CAT costs to the SROs and two-thirds of CAT costs to Industry Members, in reality 80% or more of CAT costs are imposed on Industry

¹² Release No. 34-101672 (Nov. 20, 2024), 89 FR 94924 (Nov. 29, 2024).

¹³ See, e.g., (<https://www.sec.gov/comments/4-698/4698-672527-2038054.pdf>). Given FINRA's regulatory role, it is hard to understand why their vote against the latest funding model did not result in it being disapproved.

¹⁴ SIFMA continues to object to the Commission's approval of the latest CAT funding model and believes that it is arbitrary and capricious, especially in light of the 11th Circuit's decision vacating the original funding model. *Am. Sec. Ass'n et al. v. SEC*, No. 23-13396 (11th Cir.) (July 25, 2025), <https://media.ca11.uscourts.gov/opinions/pub/files/202313396.pdf>.

Members due to the industry also paying all of FINRA's costs.¹⁵ And under the latest Commission-approved CAT funding model, the Commission provided the SROs with the ability to shift 100% of CAT costs on to Industry Members despite the 11th Circuit's finding that the ability of the SROs to pass through their portion of the CAT costs in the original funding model was unlawful and required vacatur of the funding model.

In SIFMA's view, we are left with a scenario in which the incentives to run the CAT in an efficient and cost-effective manner are misaligned. In this respect, the parties that pay the vast majority of CAT costs, Industry Members and investors, have no say in the direct governance of the CAT. Rather, it is the party that pays no CAT costs, the Commission, that effectively controls and is the largest beneficiary of the CAT. And the SROs, which nominally control and operate the CAT, have not embraced the job and cannot manage it through the NMS plan structure.

The SEC Should Be Responsible for Funding and Controlling the CAT

To address the misaligned incentives that currently exist with the CAT and its limitations if transactions are executed outside of its regulatory perimeter, SIFMA recommends that the Commission engage in a phased approach that ultimately results in the Commission taking direct control of the CAT. The first phase would be for the Commission to immediately take over CAT funding, paying 100% of CAT costs and eliminating the current funding model. We preliminarily believe that this is the easiest piece to accomplish and can be done without amending Section 31 of the Securities Exchange Act of 1934 ("Exchange Act"). The next phase would be for the Commission to eliminate the NMS plan structure governing the CAT (i.e., the CAT NMS Plan) and amend Rule 613 to make the CAT a fully Commission-controlled system. We believe that this phase will require more regulatory effort to accomplish, including creating a plan at the outset outlining the regulatory steps and associated timelines needed to accomplish it. To mitigate the risk that a phased approach could be altered or delayed due to changes in Commission leadership or priorities, SIFMA recommends that the Commission formally propose and finalize a reform roadmap at the outset, including milestones, and a clear timeline for transition. Given the problems experienced with the CAT over the years and its potential limitations based on Commission actions in the digital assets space, we believe that placing the CAT under Commission control in a phased manner is the right path forward to place it on a more sustainable foundation that takes into account future market developments.

First Phase – Commission Funding of the CAT

Given the persistent challenges of establishing a durable and fair funding model for the CAT, as well as the true regulatory nature of the system, SIFMA has for some time now advocated for the SEC to take over the funding of the CAT. As the CAT is de facto a Commission-controlled system, SIFMA recommends that the SEC include the CAT in its budget, just as it does for all other SEC projects. Without a funding obligation for CAT, the SEC has no meaningful incentive to consider the costs associated with the scope of the information the SEC requires to be reported to CAT, as well as the cost associated with using the system for

¹⁵ See (<https://www.sec.gov/comments/4-698/4698-199319-399182.pdf>).

rulemaking purposes. Under this approach, CAT costs would be subject to the checks and balances of the Congressional appropriations process for the Commission. While the industry would still ultimately pay for the CAT through the Section 31 process (where the industry reimburses the SEC for its budget), inclusion in the SEC's budget will serve to better align incentives to control costs and address longstanding concerns about ineffective governance.

SIFMA has reviewed Section 31 of the Exchange Act and does not believe that it needs to be amended to allow the Commission to pay for the CAT. In this regard, Section 31(m) sets forth the budget process the Commission must follow and specifies the information the Commission must include in its annual budget. Under this provision, the Commission's annual budget must include "(A) an itemization of the amount of funds necessary to carry out the functions of the Commission; (B) an amount to be designated as contingency funding to be used by the Commission to address unanticipated needs; and (C) a designation of any activities of the Commission for which multi-year budget authority would be suitable." Nowhere in Section 31 is the Commission directed to spend money on particular regulatory systems.

In this regard, the Commission has many regulatory systems that it pays for through its annual Congressional appropriations process, none of which are specifically named in Section 31. These include the Commission's MIDAS system, which the Commission describes in the Concept Release, as well as the Commission's ubiquitous EDGAR system. The Commission paying for the CAT through its budget would be no different than how it pays for these other regulatory systems, and we anticipate that the process of including CAT within its budget, including the Section 31 process, would be the same as it is for these other regulatory systems.¹⁶

To mechanically accomplish the shift of CAT funding over to the Commission, the Commission would include an amount appropriate to pay 100% of CAT costs (both prospective and historical costs) for the next fiscal year in its annual appropriations request to Congress. The Commission would then direct the CAT Operating Committee to bill the SEC for the CAT's ongoing and historical costs and eliminate the current funding model. While the Commission has already submitted its Fiscal Year 2027 budget, the Commission still has time to amend that budget to include CAT costs.

SIFMA does not believe any material structural amendments to Rule 613 or the CAT NMS Plan are necessary to achieve this first phase in which the SEC includes CAT costs in its budget. However, to the extent technical changes to Rule 613 or the CAT NMS Plan are needed, it should not prevent the SEC from taking these steps, as the SEC could provide temporary exemptive relief or directly amend the plan based on its authority in Rule 608 of Regulation NMS. We note that the Commission has recent experience with these types of regulatory

¹⁶ Future consideration should be given to evaluating the scope of products subject to Section 31 fees, given that it only applies to equities and listed options, to account for the broader range of asset classes the Commission regulates. Similarly, the current process of assessing Section 31 fees on equities and listed options should be reviewed given that it appears that listed options currently pay very little in fees as compared to equities.

actions, as it issued two exemptive orders in 2025 regarding the CAT NMS Plan requirements to reduce CAT costs and remove personally identifiable information (“PII”) from it.

Shifting CAT funding over to the Commission would allow Congress to oversee the CAT in the near-term by incorporating the CAT into the Commission’s budget, while temporarily maintaining the current CAT governance framework. The SEC would recoup the full amount of its appropriation through the Section 31 process as it normally does. As noted, Section 31 does not need to be amended to allow the SEC to pay for CAT, as the SEC historically and currently pays for many projects without specific statutory authorization. Transitioning the CAT from an NMS plan to full SEC control would take place in the next phase.

Next Phase – Commission Control of the CAT By Eliminating the CAT NMS Plan and Updating Rule 613

The next phase for the CAT would be for the Commission to take over control of it by eliminating the CAT NMS Plan and updating Rule 613 to reflect Commission control of the system. We anticipate that this would require a number of regulatory steps to accomplish, and as noted, would benefit from a scoping plan at the outset to identify the regulatory steps needed to effect the changes and a reasonable deadline for each step. While transitioning the CAT to full Commission control will require regulatory work, we believe that this transition is achievable through the regulatory framework under which the Commission already operates and without any statutory changes.

At the outset, we note that Rule 613 and the CAT NMS Plan framework were a Commission design choice, and not the only mechanism for creating a consolidated audit trail. In adopting Rule 613 in 2012, the Commission chose to require the SROs to jointly file an NMS plan under Rule 608 to create, implement and maintain the CAT. The Commission made this choice despite commenters, including FINRA, objecting to the use of an NMS plan to implement the consolidated audit trail.¹⁷ The choice to use an NMS plan to implement the CAT reflected the regulatory architecture the Commission selected at the time rather than a conclusion that an SRO-operated NMS plan was the only lawful or workable model to implement a consolidated audit trail.

We believe the SEC’s original rationale appears to have been primarily practical and structurally coherent based on its longstanding experience with NMS plans. In this regard, the Rule 613 adopting release stated that the rule would require the SROs to submit an NMS plan to create and operate the CAT, with the Commission stating that “Rule 613 outlines a broad framework for the creation, implementation, and maintenance of the consolidated audit trail, including the minimum elements the Commission believes are necessary for an effective consolidated audit trail.”¹⁸ At the same time, the Commission noted that the structure would provide the SROs, as the “front line” regulators, with the ability to select the central

¹⁷ FINRA letter to the Commission re: Proposed Rule Regarding a Consolidated Audit Trail (Aug. 9, 2010), <https://www.finra.org/sites/default/files/Industry/p121913.pdf>.

¹⁸ Release No. 34-62174 (May 26, 2010), 75 FR 32556 (Jun. 8, 2010).

repository/plan processor, determine the technical reporting mechanics, and adjust more quickly to changes in the equities and listed options markets. In other words, it appears the Commission viewed the NMS-plan construct as an expedient way to leverage existing SRO responsibilities and the NMS plan infrastructure to stand up a cross-market audit trail without the SEC itself directly building and operating the system from inception.

As the Commission indicates in the Concept Release, there is now strong evidence that the Commission's 2012 implementation judgment should be revisited. The Concept Release expressly reopened foundational questions regarding the CAT. Consistent with that reassessment, we believe several factors point to a rethink of the CAT's NMS plan construct and for it to be placed under Commission control. Specifically, the SRO/NMS-plan model was chosen before regulators had real-world experience operating CAT. As described above, there have been significant flaws with this approach including ineffective governance and CAT costs that have materially exceeded the levels projected when the CAT NMS Plan was approved. In addition, it seems plausible that the Commission may allow the trading of tokenized equity securities outside of the broker-dealer and exchange regulatory sphere for which CAT was designed, potentially undermining its utility absent regulatory action that only the Commission – and not the SROs – can take. Moreover, as noted, because the Commission effectively controls the CAT and is the biggest beneficiary of it, placing the CAT under the SEC's remit would better align its accountability, budgeting, and control.

As the Commission indicates in the Concept Release, we envision the CAT operating under Commission control similar to how the EBS system currently operates under Commission control. Like the current EBS structure, the SEC could license the CAT system/Central Repository from FINRA CAT LLC, which would continue to perform the functions of operating the CAT on a day-to-day basis. Instead of acting as "Plan Processor," FINRA CAT LLC would essentially be contracted by the SEC to operate the CAT/Central Repository on the SEC's behalf.

The SEC would make the SEC CAT database accessible to the SROs through separate agreements with each one. The SEC will have the ability to control SRO access through this licensing arrangement, which should help enhance CAT data security by establishing compartmentalized access to only the data related to activity an SRO is responsible for overseeing. In this regard, we would envision the SEC providing FINRA with full access to CAT data to allow it to continue to serve its role as the cross-market regulator of the equities and listed options markets. We would also envision the SEC limiting the CAT access of an exchange that has outsourced its regulatory functions to FINRA to only the activity that occurs on its exchange. Limiting access in this manner would help address long-standing CAT data security concerns that the Commission sought to address in its 2020 CAT data security proposal ("CAT Data Security Proposal"), some of which we address below.¹⁹

From a regulatory perspective, Rule 613 would need to be updated to eliminate the NMS Plan construct. The NMS Plan parts of Rule 613 would be removed, such as paragraph (a), but the technical aspects of CAT reporting in the rule, such as the high-level reporting requirements

¹⁹ Release No. 34-89632 (Aug. 21, 2020), 85 FR 65990 (Oct. 16, 2020).

in paragraph (c)(7), would remain. Some parts of the rule that set forth governance and operational aspects of the CAT, such as paragraphs (b) and (c)(1)-(6) of the rule, would need to be closely examined to determine if parts of those provisions need to be retained if the Commission were to control the system. In addition, the CAT NMS Plan would need to be reviewed to see if any parts would need to be transitioned to Rule 613. Much of the current CAT NMS Plan, excluding the Appendices, addresses the legal and governance structure of the CAT as a Delaware LLC and thus at first impression seems like they could be eliminated. Other, technical-type requirements currently included in the NMS Plan, such as Appendix D that includes CAT data security requirements, could at a high-level be transitioned to Rule 613 as the security framework under which the CAT should operate, with the more technical aspects of the appendix being made part of the contract and service-level agreements (“SLAs”) with the CAT operator FINRA CAT LLC.

While we defer to the SEC on how it would control and monitor the CAT’s operations, one could envision an office within the Commission consisting of representatives from the Divisions of Trading and Markets, Enforcement and Examinations in charge of directing the operations of the CAT. We would suggest that the Commission consider having such an office cover all public and regulatory secondary market transaction reporting, which would not include, for example, EDGAR or Form PF.²⁰ The same Commission staff responsible for overseeing the CAT would also be responsible for overseeing EBS until it is retired, as further discussed below, as well as Large Trader reporting and other Commission systems governing secondary market trading. With CAT under Commission control, the Commission may also have an opportunity to streamline existing disclosure requirements under Regulation NMS such as order execution and routing information by leveraging CAT data. By establishing such an office, the SEC will have the responsibility to ensure different reporting regimes each work together in the most efficient manner for both regulatory users and reporting broker-dealers and exchanges.

CAT Advisory Committee

In Rule 613(b)(7), the Commission required the CAT NMS Plan to establish an Advisory Committee “to advise the plan sponsors on the implementation, operation, and administration of the central repository.” The Advisory Committee concept is beneficial and should be retained going forward, even when the Commission eventually transitions operation of the CAT away from an NMS Plan construct. Under this new construct, the Advisory Committee should be expanded to include SROs as members.

While we support retaining an Advisory Committee, we believe the Commission should explore ways to reduce the existing restrictions placed on members of the Advisory Committee both with the current CAT NMS Plan and with Commission control of the CAT. These restrictions limit the quantity and quality of information advisors are able to access about the CAT’s operations. If members of the Advisory Committee are not well informed, they are unable

²⁰ It is possible the savings associated with Commission control of the CAT could be used to create or grow this transaction reporting office with staff that have technical or functional expertise in the areas it would cover.

to provide meaningful input. As we have experienced over the years with the CAT Advisory Committee, these restrictions significantly limit advisors' ability to fully participate in "advis[ing] the plan sponsors on the implementation, operation, and administration of the central repository."

To address this informational gap, members of the Advisory Committee should be provided with access to all relevant non-public information regarding the operation of the CAT transactional database, including information from various working group meetings. To the extent the Commission and the SROs are concerned about discussing certain regulatory issues with industry representatives, limitations could be put in place to ensure that Industry Members are excluded from such discussions. In this respect, the Commission should limit the ability to hold executive sessions to those topics that concern highly confidential information, audit findings, litigation matters, and responses around exam findings.²¹ Apart from this, Advisory Committee members should be allowed to participate in all meetings and discussions. Advisory Committee members would continue to be subject to appropriate non-disclosure agreements. We believe the CAT will benefit significantly from the additional expertise and outside perspective of Advisory Committee members while confidentiality agreements and NDAs will protect the sensitive information discussed in meetings where they are present.

In addition, similar to the CT Plan Advisory Committee, the CAT Advisory Committee should "have the right to submit their views to the Operating Committee on Plan matters, prior to a decision by the Operating Committee on such matters. Such matters shall include, but not be limited to, any new or modified product, fee, contract, or pilot program that is offered or used pursuant to the Plan."²²

Permitting Advisory Committee members to review information about the CAT's operation, to limit executive sessions, and to submit input prior to substantial changes will not raise conflicts of interest to any greater extent than providing these powers, responsibilities, and rights to the SROs, which are parties also regulated by the Commission. Members of the Advisory Committee, and members of the securities industry more broadly, have demonstrated their commitment to working constructively with the SROs to provide input designed to create a CAT that is more appropriately tailored to achieve the Commission's goals in adopting Rule 613. The Advisory Committee should be viewed as a significant resource for the CAT operator and for the efficient and successful operation of the CAT. Throughout the CAT's existence, the Advisory Committee has been significantly underutilized, and the Commission should use its authority and creativity to correct this aspect of the CAT's governance.

The Commission should also review the make-up of the Advisory Committee to ensure it includes a broad range of industry representatives and expertise. Broad Advisory Committee representation would enable the CAT operating under the SEC to receive input from a diverse range of viewpoints, not limited to the strict eligibility requirements currently included in the

²¹ Section 4.7(g)(i), CT Plan

²² Section 4.7(d), CT Plan.

CAT NMS Plan. For example, as noted in the Concept Release, the Advisory Committee could be expanded to include representatives from ATSS, retail brokers, market makers, and information security and technology experts.

After the CAT transitions out of an NMS Plan construct, the Commission could create its own CAT Advisory Committee, similar to its other public advisory committees, to meet regularly to review the operation and performance of the CAT.²³ As noted, it could then be expanded to include SROs.

Cost Management

SIFMA strongly supports the Commission's and the Plan Participants' recent efforts to reduce CAT costs.²⁴ However, the Commission must continue to engage in a holistic evaluation of any CAT modification done in the name of cost-savings to ensure that apparent savings at the Plan level do not result in cost-shifting to Industry Members or would undermine the retirement of legacy systems such as EBS and other duplicative reporting systems. Moreover, after the Commission funds and operates the CAT, it should consider how the system could potentially be leveraged to efficiently supplement or replace other regulatory reporting requirements beyond those historically identified by the CAT NMS Plan.²⁵ For example, the Commission could use the transaction information reported to the CAT to simplify and replace the reports broker-dealers currently are required to make and publish pursuant to SEC Rules 605 and 606.²⁶

SIFMA has also consulted with the FIF prior to the submission of its letter in response to the Concept Release, and we generally support the cost savings proposals we understand FIF will include in its forthcoming letter. We also support the latest efforts by the SROs to review the CAT reporting requirements to see if there are any that could be streamlined or eliminated to reduce CAT costs while still preserving the regulatory value of the CAT's audit trail.

However, we have concerns about the recently approved amendment to the CAT NMS Plan in the March 2026 Cost Savings Amendment that allows the SROs to delete CAT data older than three years. As we noted in our comment letter on that proposal, while we support efforts to

²³ See <https://www.sec.gov/about/advisory-committees>.

²⁴ See, e.g., SIFMA letter to Commission re: CAT NMS Plan to Further Reduce the Costs of the CAT (Mar. 12, 2026), <https://www.sec.gov/comments/4-698/4698-722187-2261374.pdf>.

²⁵ See 17 CFR §§242.613(a)(1)(ix) and CAT NMS Plan Appendix C (C.9) p.C-96 available at https://catnmsplan.com/sites/default/files/2026-05/LLC_Agreement_of_Consolidated_Audit_Trail_LLC-as-of-5.11.26.pdf.

²⁶ The requirements of Rule 605 can be fully satisfied with CAT data in a cost-efficient manner and these public reports also could be simplified and centralized. CAT data also could be used as a substitute for routing venue information that is currently disclosed pursuant to Rule 606(a) (broker-dealers could supplement the Commission created reports to disclose any information not available in CAT). This approach would result in elimination of duplicative disclosures, reduction in associated costs, and enhanced consistency and accuracy of such disclosures in a secure manner. Prior to proceeding, the Commission should engage with Industry Members to further discuss ways of moving forward.

reduce the costs associated with CAT data older than three years, any modification to the CAT data retention framework should be evaluated holistically to ensure that apparent savings at the Plan level do not result in cost-shifting to Industry Members or undermine the retirement of legacy systems such as EBS. We further noted that the proposal would not produce net cost savings if reducing CAT retention periods leads to increased regulatory requests directed to Industry Members for historical data or necessitates the continued maintenance of EBS to fill potential data gaps.

SIFMA members have conducted further analysis since the Commission's approval of that proposal and have concerns that our assessment in our comment letter was correct. We therefore call upon the Commission to immediately pause any efforts by the SROs to delete this data until a more complete analysis of the pros and cons of deleting it is conducted, including an assessment of whether deleting the data could perpetuate EBS.

EBS Retirement and Commission Implementation of a Request-Response System

One of the long-standing promises of CAT, and one of the bases on which the SEC justified its costs, is that it should have allowed for the retirement of EBS for equities and listed options. This has not happened and market participants continue to receive regular EBS requests for equities and listed options transaction and associated account information even as the CAT transactional database is fully functional. As market participants have repeatedly noted, this results in significant duplication of time and costs by requiring firms to both report transactional data to CAT and regularly respond to EBS requests, as there is substantial overlapping transactional information between the two reporting methods. In addition, the process for responding to EBS requests includes unmasked PII. Therefore, EBS requests are much less secure than CAT in its current form.

For any gaps that may exist between CAT data and the transactional information required to be submitted via EBS for equities and listed options executions, the Commission should clearly articulate those gaps and review whether the information not reported to CAT is material to regulators' equity and listed options surveillance purposes. Certain gaps may not be material or necessary to be reported on an ongoing basis and rather could be learned, if necessary, through requests to broker-dealers.²⁷ SIFMA would be willing to work with the SEC and SROs to include any material equity and listed options transactional attributes that are currently captured by EBS but not by CAT.²⁸

To enable the Commission to retire EBS for equities and listed options transactional and account information purposes, SIFMA strongly supports the creation of a centralized R&R

²⁷ The Commission should first evaluate whether the costs associated with requiring CAT data to be enhanced to meet EBS requirements are justified by regulatory needs. The Commission should amend SEC Rule 17a-25 to remove equities and listed options from the scope of the requirement that broker-dealers and certain exchange members electronically submit securities transaction information to the Commission upon request.

²⁸ Similarly, the Commission should consider eliminating or amending Rule 13h-1 (Large Trader Reporting) because the Commission and regulators could use CAT data to determine the identity of large traders.

system that the Commission and other SROs must use to securely correspond with broker-dealers regarding the identity of specific customers associated with trading activity flagged for further review in CAT.

The electronic system should allow all regulators (the Commission, FINRA, and other SROs) to efficiently use the CAT Customer-ID (“CCID”) – Firm Designated IDs (“FDID”) mapping such that they will be able to contact broker-dealers securely through the R&R system to notify broker-dealers of the FDID associated with a particular account.²⁹ Broker-dealers will respond with relevant customer and account information via the secure, automated R&R system. The R&R system generally should include the functionality necessary to fully replace EBS as a method for regulators to identify accounts associated with particular trading activity for equities and listed options.³⁰ The Commission should amend Rule 17a-25 to eliminate EBS for equities and listed options.³¹

The Commission should be responsible for establishing the parameters governing the creation and maintenance of the centralized R&R system. The Commission, and not the SROs, should have ultimate responsibility for the R&R system given the experiences with the CAT. For example, the Commission could promulgate a data collection rule that requires broker-dealers to maintain relevant customer and account information and submit that information via the R&R system upon request by the Commission or another regulator. Preliminarily, we believe the Commission could use the CAIS format as the reporting mechanism to report customer and account information. Industry Members and regulators have already expended significant resources to build systems for the reporting of such information to the CAT system. Adopting this approach would reduce the costs associated with transitioning to the new R&R system. An R&R system that allows regulators to correspond with broker-dealers for discrete investigative purposes does not present the same security risks as the CAIS system, which collected and stored all customer PII in one place on an ongoing basis until the recent regulatory actions by the Commission and the SROs.

SIFMA believes that to aid in the seamless transition from a CAT with a central PII database to a CAT without a central PII database, the R&R system regulators use to request PII from broker-dealers based on CAT transaction records and FDIDs should continue to remain within the CAT remit. However, to the extent it is operated outside of CAT, whatever system is deployed should be used uniformly by all SROs as well as the SEC whenever staff requests CAT-based PII data from broker-dealers. Having all regulators request PII from broker-dealers using the same system very significantly reduces costs to broker-dealers who otherwise would

²⁹ We note that EBS is not suitable for this purpose because it does not include FDID information.

³⁰ The Commission should first evaluate whether the costs associated with requiring the R&R system to include EBS components are justified by regulatory needs.

³¹ FINRA Rule 8311 also should be amended, as should any similar SRO rules.

need to manually process different ad-hoc requests from SROs and the SEC if no uniform system existed.

If the R&R system is operated outside of the CAT umbrella, it should be operated by FINRA or FINRA CAT pursuant to a contract the Commission enters into through its regular procurement process, similar to other Commission technology systems.³² We understand that FINRA may be working to create a request-response system to allow regulators to determine the identity of investors engaging in problematic trading activity regulators identify via CAT data. SIFMA very much supports this approach and believes that FINRA is well equipped to execute on it. SIFMA members are eager to work collaboratively with FINRA and look forward to hearing the details about it. As indicated, there are several significant details regarding the R&R system approach that we look forward to discussing with FINRA and the Commission.

CAT Cybersecurity and Data Protection

Although the Commission discusses CAT data security practices in the Concept Release, it does so at a very high level and as part of questions regarding CAT cybersecurity. For SIFMA and other non-SRO commenters, it has been very challenging if not impossible to understand CAT data security practices because they have never been disclosed. This non-disclosure may be understandable from a data security perspective. However, it also has the effect of preventing industry experts with significant experience implementing secure financial data systems from providing meaningful input regarding these practices to CAT and oversight of these practices by Congress. Given the lack of transparency regarding these practices, SIFMA is basing its comments below on Industry Members' imperfect understanding of these practices as well as the Commission's last public attempt to strengthen these practices through its 2020 CAT Data Security Proposal.

In providing these comments, SIFMA acknowledges the significant steps the Commission and the SROs have taken to remove PII from the CAT. However, SIFMA continues to have concerns about the security of the CAT transactional database. As we have noted, the aggregation of trade data in the CAT, complete with FDIDs associated with each trade, creates a highly proprietary database subject to a broad threat profile.³³

SIFMA supported the CAT Data Security Proposal, noting that it "represented a significant step forward by the Commission in holding the CAT to the highest security standards," and urged the Commission to approve it.³⁴ Despite the clear strength of the proposal, the Commission never acted on it and withdrew it in June 2025. A number of exchange groups objected to the proposal, arguing among other things that it impermissibly delegated to FINRA CAT as the Plan Processor oversight functions of the exchanges. While we continue to disagree

³² See, e.g., (<https://www.sec.gov/securities-topics/market-structure-analytics/midas-market-information-data-analytics-system>).

³³ See (https://www.mfaalts.org/wp-content/uploads/2022/03/CAT-data-security-request_Final.pdf).

³⁴ See (<https://www.sifma.org/wp-content/uploads/2020/11/SIFMA-Comment-on-SEC-Security-CAT-Proposal.pdf>).

with the exchanges' positions in their comment letters, we believe that there are aspects of the proposal on which the Commission should act, as we are unaware of how or to what extent these Commission-identified security risks are currently being addressed.

The CAT Data Security Proposal included a number of significant enhancements to CAT data security practices that SIFMA strongly supported. These included the Secure Analytical Workspace ("SAW") concept that was designed to address the security risk associated with the CAT providing each SRO with the ability to bulk download CAT data into their own systems. The proposal addressed this risk by requiring the SROs to conduct their surveillance in a SAW that was part of the CAT system and subject to the Comprehensive Information Security Program that the SEC also included in the proposal. The proposal also required FINRA CAT to grant an exchange a security-related exception if it planned to download and review CAT transaction data in the SRO's own environment. As indicated, this was one of the primary reasons why the SROs asserted that the proposal improperly delegated to FINRA CAT oversight functions of the exchanges.

While the Commission did not move forward with the CAT Data Security Proposal, SIFMA continues to believe that the ability of individual SROs to download CAT data into their own systems is a critical security threat. Among other things, it multiplies the environments in which CAT data exists and could allow CAT data to reside in exchange-maintained environments that are not as secure as the FINRA CAT data security environment. Because the Commission did not move forward with the proposal, this security threat appears to remain unaddressed and in fact may be heightened now. In the Commission's March 2026 Cost Savings Amendment approval order, the Commission appeared to suggest that regulators could make wholesale copies of CAT data.³⁵ While the SAW was the method the Commission proposed to address this security threat in the proposal, SIFMA remains open to other approaches. SIFMA continues to believe that it is critical for the Commission to restrict the ability of CAT data to reside outside of the CAT system.³⁶ If necessary, this practice should be solely limited to enable regulators to extract the output of a regulatory inquiry required for further investigation or enforcement or to analyze discrete data to further regulatory policy or future rulemaking. As indicated above, we believe this task will be more straightforward once the Commission takes over control of the CAT.

In connection with supporting the SAW concept, SIFMA also expressed significant concerns about exchanges' ability through the CAT system to see the equity and options trading data of other markets and Industry Members' activity on those other markets. Prior to CAT

³⁵ See Release No. 34-105107 (Mar. 27, 2026), 91 FR 16284 (Apr. 11, 2026) p.26-27 "To acquire the relevant data after implementation of the Data Storage Amendment, regulators will need to either download and maintain CAT Data older than three years, whether in whole or in some abbreviated or summarized form, and/or request information directly from market participants, such as exchange market data or trade data from Industry Members through EBS or other processes." SIFMA disagrees that wholesale download and maintenance by regulators of CAT data outside of CAT would be appropriate.

³⁶ Moreover, SROs should not be able to limit their liability for security breaches that happen as a result of their use of CAT transactional data outside of CAT (once the SEC assumes responsibility for CAT) or the R&R system.

implementation, exchanges only had immediate access to trading activity that occurred within their own exchange group and had to go through the Intermarket Surveillance Group (“ISG”) to obtain access to trading activity occurring on other markets if they did not outsource their regulatory responsibilities to FINRA. If they did outsource such responsibilities, as most exchanges have, they would rely on FINRA to conduct such cross-market surveillance activities. To address this new regulatory landscape under the CAT, the Commission included in the proposal an explicit clarification that an SRO could not use CAT Data in connection with a rule filing that had any commercial purpose. SIFMA continues to support this proposed clarification, as all exchanges continue to face commercial pressures as for-profit companies and the use of any CAT Data beyond the regulatory purpose for which it was sought or even outside of a regulatory context is a critical security concern for the CAT.

SIFMA continues to be very concerned about the ability of exchanges to see trading activity occurring on other markets. It is critically important that the exchanges as SROs are direct and transparent on the regulatory scenarios in which they need to see trading data from other markets and that this concept is clearly incorporated into the CAT NMS Plan. SIFMA therefore recommends that while the CAT NMS Plan is still in effect, it be amended to restrict each exchange’s access to CAT data such that an exchange can only see data for trading activity conducted on that exchange (and not trading activity on other markets), with the only exception being for limited and well-defined regulatory purposes. We believe that this exception should be limited only to those situations in which an exchange has a regulatory need to review the trading data of another market under its own rules or the rules of the Commission. Once the Commission takes control of the CAT, it can incorporate these concepts into the licenses or agreements it has with each exchange allowing that exchange to access CAT data. The Commission also could incorporate technical barriers or limitations on an exchange’s ability to see trading activity on other markets through the CAT that requires the exchange to go through certain steps before it can see such activity.

The data security enhancements in the CAT Data Security Proposal also included the permanent establishment of a CAT “Security Working Group.” SIFMA supported the Commission’s decision in the proposal to make the Security Working Group permanent, as there was no formal requirement in the CAT NMS Plan for it to be established. As far as we are aware, because the proposal was never adopted, there continues to be no formal requirement that the CAT have a Security Working Group.

In addition to making the Security Working Group a formal CAT requirement, SIFMA recommended in its comments that the group permanently include industry representatives with voting rights. SIFMA continues to believe that a working group with industry input would help enhance the security of the CAT by providing “best-practice” advice to the Plan Processor and Operating Committee regarding security practices that work well at the non-SRO organizations represented on the working group. Once the CAT is eventually shifted over to Commission control, we believe that the Security Working Group concept should be retained and the working group should continue to include Commission representatives, SRO representatives, and Industry Member representatives. All of these parties continue to have a critical interest in ensuring that

CAT data is protected to the greatest extent possible.

The Commission also included in the CAT Data Security Proposal a requirement that each SRO adopt and maintain identical written data confidentiality policies. The proposal also required that each SRO establish and maintain procedures and usage restrictions in accordance with these policies. In addition, the proposal required that each SRO make the data confidentiality policies publicly available on a website, and on an annual basis, engage an independent accountant to perform an examination of compliance with the data confidentiality policies. Like other aspects of the CAT Data Security Proposal, it is unclear why the Commission never adopted these requirements as they reflect a very sound approach to ensuring that the SROs all have uniform and robust policies designed to protect CAT data. SIFMA continues to support these requirements and believes they would even have a place when the Commission takes over control of the CAT because the CAT contains a unique data set that is highly confidential and also potentially allows exchanges to see activity on other markets.

The CAT Data Security Proposal also included proposed amendments to the CAT NMS Plan to explicitly require that corrective actions and breach notifications to CAT Reporters be part of the Plan Processor's cyber incident response plan. These changes were modeled after the SROs' Regulation SCI obligations. For many years, SIFMA has supported these requirements as they would allow Industry Members to react more quickly to CAT breaches that may involve the firm's data. SIFMA fails to understand why the Commission never acted on them.

In addition to the foregoing data security enhancements from the CAT Data Security Proposal, SIFMA also recommends several additional security requirements designed to enhance CAT data security. In particular, the Commission should adopt a requirement limiting CAT access outside of the U.S. to those countries where CAT reporting or regulatory use is both necessary and expected. We recommend that the Commission conduct a review as to where CAT data may be accessed outside of the U.S., and to the extent it is, limit access to it to those countries where it is appropriate to access such data. In addition, the Commission should require any data centers housing CAT systems and data to be physically located in the U.S.

Finally, SIFMA recommends that the Commission reevaluate CAT cybersecurity in light of the recent announcements regarding AI hacking capabilities. As the Commission is aware, recent announcements have indicated that AI's hacking capabilities have rapidly advanced from experimental tools to fully autonomous cyber operations, capable of industrial-scale threat generation and finding zero-day software vulnerabilities without human intervention. While PII is being eliminated, the CAT transactional database needs to be reviewed for vulnerabilities. As part of this reevaluation, SIFMA also recommends that the CCID creation and encryption process be reviewed to determine whether it needs to be enhanced from a cybersecurity perspective.

Conclusion

SIFMA appreciates the opportunity to respond to the Commission's CAT Concept Release. We commend the Commission for conducting a comprehensive review of the CAT. As discussed, to efficiently achieve the regulatory purposes of the CAT, the Commission must be responsible for funding and directly controlling the system. The Commission should retain and broaden the Advisory Committee so that the CAT can benefit from a diverse range of expert voices. While the Commission and the SROs have made significant progress in reducing aggregate CAT costs, more must be done, and these CAT cost reductions must not lead to increased compliance or other costs imposed on Industry Members. We strongly urge the Commission to eliminate the use of EBS for equities and listed options and to create a secure R&R system that the Commission and SROs must use to identify accounts associated with CAT transaction data. SIFMA also urges the Commission to continuously review and enhance the security of CAT data to ensure it is fully protected using state of the art methods. SIFMA is strongly committed to Commission-led efforts to implement meaningful CAT reforms and we stand ready to work with the Commission and the SROs to achieve these reforms.

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If you have any questions or need any additional information, please contact Joseph Corcoran, Katie Kolchin, or Gerald O'Hara at 202-962-7300.

Sincerely,



Kenneth E. Bentsen Jr.
President & CEO
SIFMA