

October 16, 2026

Ms. Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Notice of Request for Exemption from Financial Accountability Milestone 4 (File No. 4-698)

Dear Ms. Countryman:

PTG writes to oppose CAT LLC's request (the "Request") for exemptive relief from Financial Accountability Milestone 4 ("FAM 4"), which would retroactively impose more than \$260 million in costs on broker-dealers and investors.

The Request turns the Commission's accountability framework on its head. After years of delays, missed deadlines, and mismanagement in implementing the Consolidated Audit Trail ("CAT"), the Commission adopted the Financial Accountability Milestones for the express purpose of imposing meaningful financial consequences on the self-regulatory organizations ("SROs") responsible for its implementation. The Commission established the deadlines based on the SROs' own projections, provided additional time to comply, and expressly determined that further delays should not occur "without consequence."

The SROs nevertheless missed the FAM 4 deadline by more than 560 days. Now, having triggered the very result FAM 4 was designed to impose, the SROs ask the Commission to erase it and transfer more than \$260 million in costs to Industry Members and investors. The Request provides no corresponding benefit to investors or the markets. Its only beneficiaries are the SROs whose delays caused those costs to become unrecoverable in the first place.

The Request should be denied. It is contrary to the public interest and the protection of investors; it seeks impermissibly retroactive agency action to revive recovery rights that were extinguished years ago; and it would impose hundreds of millions of dollars in costs that the Commission expressly excluded from its economic analysis of the current CAT funding model. Worse still, the SROs propose to compress those previously unanalyzed costs into a single year—half the minimum recovery period the Commission only recently determined was appropriate.

I. The Commission Adopted the FAMs to Hold the SROs Financially Accountable for Further CAT Delays

The Commission adopted the FAMs after years of delays in the development and implementation of the CAT.¹ By 2020, the SROs had missed not only the deadlines established in the CAT NMS Plan, but also deadlines based on their own proposed extensions. The Commission concluded that a different approach was necessary and amended the CAT NMS Plan specifically to increase the SROs' "financial accountability for the timely completion" of the CAT.²

The FAMs imposed specific financial consequences for the SROs' failure to meet defined implementation milestones. The Commission established those milestones based on the SROs' own projections and expressly conditioned recovery of CAT development costs from Industry Members on timely completion.³ The amount recoverable declined as the length of a delay increased, culminating in a 100 percent reduction for FAMs 2 through 4 if the SROs missed the applicable deadline by 270 days or more.

The Commission adopted that structure on purpose and rejected requests by the SROs for greater flexibility.⁴ This is because the SROs had already missed Commission-approved deadlines and because responsibility for implementing the CAT, including selecting and managing the Plan Processor, was "fundamentally within their control."⁵ The Commission therefore chose a mechanism that "would not allow further delays to occur without consequence."⁶ The FAMs nevertheless provided the SROs with flexibility to recover portions of their costs if completed within nine months of the applicable period. FAM 4 applied that same framework to the final milestone. To recover all FAM 4 costs, the SROs were required to achieve full implementation by December 30, 2022. Missing that deadline reduced recoverable costs by 25 percent for each additional 90 days of delay, reaching a 100 percent reduction after 270 days.

There is no dispute that the SROs failed to meet the applicable deadlines. They acknowledge that full implementation was not achieved until July 15, 2024, more than 560 days after the FAM 4 deadline, and more than twice the additional 270-day period the Commission had provided before recovery was reduced to zero. Under the framework the Commission deliberately adopted, the consequence was clear: the SROs could no longer recover FAM 4 costs from Industry Members.

The SROs now ask the Commission to undo the accountability framework it adopted in 2020, long after the deadline has passed and the consequences attached. The SROs seek to recover more than \$260 million of FAM 4 costs notwithstanding their failure to satisfy FAM 4. As discussed below, neither the public interest nor the Commission's exemptive authority supports that result.

¹ 85 Fed. Reg. 31322 (May 22, 2020) available at <https://www.govinfo.gov/content/pkg/FR-2020-05-22/pdf/2020-10963.pdf>.

² *Id.*

³ *Id.* at note 157.

⁴ *Id.* at 31335.

⁵ *Id.*

⁶ *Id.*

II. The Request is Contrary to the Public Interest

PTG opposes the exemptive request, which is neither necessary nor appropriate and plainly contrary to the public interest. Granting the Request would provide no benefit to investors or the markets. Instead, it would saddle investors with more than \$260 million in historical CAT costs. The only beneficiaries would be the SROs—the very entities responsible for the implementation delays that caused those costs to become unrecoverable in the first place.

Granting the Request would undermine the very purpose of the FAMs. The Commission adopted financial consequences because prior efforts to secure timely CAT implementation had proven insufficient, expressly rejecting greater flexibility in favor of a mechanism that would not allow further delays to occur “without consequence.”⁷ The Commission’s deadlines, adopted through formal rulemaking, have little meaning if the consequences for missing them disappear once they become financially meaningful.

Nor is the public interest served by transferring those consequences to Industry Members. Industry Members had no responsibility for managing the CAT implementation process or ensuring that the SROs satisfied FAM 4. To the contrary, Industry Members committed substantial resources to build, modify, and maintain systems necessary to satisfy their own CAT obligations, including as the SROs’ implementation delays continued. The Commission itself recognized when adopting the FAMs that SRO delays could “increase costs for Industry Members attempting to comply with the Participants’ projected timelines.” Those costs are not recognized anywhere in the Request.

The Request would therefore produce a perverse result. The SROs that were responsible for implementing CAT missed the applicable deadline by more than 560 days, but would nevertheless recover their historical costs. Industry Members that had no responsibility for that failure would bear not only their own implementation costs, but more than \$260 million of the SROs’ costs as well. Those costs would ultimately be borne by investors trading today, years after the SROs failed to satisfy FAM 4. That is neither necessary nor appropriate in the public interest, nor consistent with the protection of investors.

The Request is particularly problematic because the SROs seek to use the Commission’s exemptive authority not merely to obtain relief from an obligation imposed on them, but to impose an affirmative financial obligation on other market participants. Section 36 permits the Commission to exempt persons or transactions from requirements of the Exchange Act where the statutory standard is satisfied. It should not be transformed into a mechanism through which an applicant can obtain relief from the consequences of its own failure by transferring hundreds of millions of dollars to third parties. We are unaware of the Commission previously using its Section 36 authority in this manner.

For these reasons, the Commission cannot reasonably conclude that granting the Request is necessary or appropriate in the public interest or consistent with the protection of investors.

⁷ *Id.*

III. The Commission Cannot Retroactively Revive the SROs' Right to Recover FAM 4 Costs

The time for the Commission to grant relief from FAM 4 has passed. FAM 4 has already operated according to its terms. When the SROs failed to achieve full implementation within 270 days of the December 30, 2022 deadline, their ability to recover FAM 4 costs from Industry Members was reduced by 100 percent. The SROs' right to recover those costs was extinguished; it was not a contingent right that the Commission can now revive years later through exemptive relief.

The Request therefore does not merely seek relief from an existing obligation. It asks the Commission to restore a right to payment that the SROs lost years ago and, in doing so, impose more than \$260 million in new liability on Industry Members. Industry Members currently have no obligation to pay these costs. Granting the Request would change that result based entirely on events that occurred years ago. Agencies generally may not change the legal consequences of completed conduct absent clear congressional authorization and nothing in Section 36 provides the Commission with authority to resurrect the SROs' extinguished right to recover FAM 4 costs and impose the resulting liability on Industry Members. The Commission's general authority to "exempt" a party from a regulatory requirement is not authority to retroactively create a financial obligation for somebody else. PTG is aware of no precedent for the Commission using its exemptive authority in this manner.

Nor does the Commission's reference to the availability of exemptive relief when it adopted the FAMs change that conclusion. That authority could have been exercised *before* FAM 4 eliminated the SROs' recovery rights. It does not provide an indefinite opportunity to restore those rights after the applicable deadlines have passed and the right to recovery has been extinguished. The Commission cannot use its exemptive authority to rewrite FAM 4 years after the fact.

IV. The SEC Has Not Analyzed the Economic Effects of the Costs the SROs Now Seek to Impose

The Request also seeks to impose more than \$260 million in costs that the Commission has never analyzed. When the Commission approved the current CAT funding model earlier this year, it expressly declined to address the potential recovery of FAM 4 costs.⁸ Those costs were therefore excluded from the Commission's analysis of the funding model's effects on efficiency, competition, and capital formation. The SROs now ask the Commission to add those same costs to the funding model without the economic analysis that accompanied its approval.

Not only did the Commission's economic analysis exclude the FAM 4 costs entirely, the request would compound that omission by forcing more than \$260 million of those costs into a single year. The current funding model requires historical CAT costs to be recovered over a period of no less than 24 months and no more than five years—a range the Commission determined would

⁸ 91 Fed. Reg. 13410 (Mar. 19, 2026) available at <https://www.govinfo.gov/content/pkg/FR-2026-03-19/pdf/2026-05350.pdf>.

spread those costs over an “appropriate amount of time.”⁹ The SROs now seek to disregard that framework and collect more than \$260 million in previously unaccounted-for FAM 4 costs in just one year. As a result, the request seeks not only to impose hundreds of millions of dollars in costs the Commission never analyzed; it would compress at least two years of those costs into a single year, dramatically increasing the immediate burden on Industry Members and investors.

The reason for that acceleration only highlights the problem. The SROs seek a one-year recovery period because the current funding model expires on March 31, 2028. But the Commission expressly relied on that expiration date when evaluating the economic effects of the funding model, explaining that, “[b]y being limited to a given time period, the effects will not be as large economically as they would be if not time limited.”¹⁰ The Request would turn that reasoning on its head: the SROs would use the funding model’s expiration date as the justification for concentrating hundreds of millions of dollars in additional costs within the very period the Commission analyzed.

The Commission cannot rely on an economic analysis that expressly excluded FAM 4 costs to justify imposing those very costs now, much less impose them over a period half as long as the minimum recovery period the Commission only recently determined was appropriate.

V. Conclusion

The SROs’ Request asks the Commission to undo the financial accountability framework it deliberately established to address further CAT implementation delays. The SROs knew the deadlines, which were based on their own projections, were given an additional 270 days to comply, and nevertheless missed the FAM 4 deadline by more than 560 days. There is no basis to reverse that result now. Granting the Request would provide no benefit to investors or the markets; instead, it would shift more than \$260 million in historical costs to Industry Members and investors, retroactively revive recovery rights that were extinguished years ago, and impose costs the Commission expressly excluded from its economic analysis—while compressing at least two years of those costs into a single year. The Commission should not rewrite FAM 4 years after the fact to relieve the SROs of financial accountability for their own delays and should deny the Request in its entirety.

Sincerely,

PTG



Joanna Mallers
Secretary

cc: Paul S. Atkins, Chairman
Mark T. Uyeda, Commissioner

⁹ *Id.* at 13451.

¹⁰ *Id.* at 13458.