February 23, 2023

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: Notice of Filing of Amendment to the National Market System Plan Governing The Consolidated Audit Trail (File No. 4-698)

Dear Ms. Countryman:

The American Securities Association (ASA)[1] submits these comments in response to the proposed Executed Share Model under the Consolidated Audit Trail (CAT) that has been submitted by the self-regulatory organizations (SROs).

The ASA urges the Securities and Exchange Commission (SEC) to reject the proposed plan regarding the Executed Share Model and to facilitate further discussions between the SROs and the brokerage industry to establish a fairer and more reasonable alternative to determining cost allocations under the CAT. The ASA echoes many of the same concerns and observations contained in the January 12th, 2023 comment letter from the Securities Industry and Financial Markets Association (SIFMA).[2]

Over the last several years, the ASA has regularly engaged with the SEC, SROs, Congress, and industry members regarding investor protection and other issues that have arisen as the CAT has been developed. Our top concern remains that the CAT is still anticipated to collect and store the personally identifiable information (PII) of every retail investor, which will make millions of Americans subject to identity theft and other invasions of their privacy. We continue to call on the SEC to remove the collection of *any* PII under the CAT to protect investors and maintain the credibility of this market surveillance system as it endeavors to finalize a rule this year.

The ASA is alarmed that – over ten years into the CAT project – the CAT participant exchanges are proposing to impose a substantial portion of the costs for operating the CAT on broker-dealers. The proposed Executed Share Model would allocate two-thirds of CAT operating costs

[1] The ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. The ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. The ASA has a geographically diverse membership of almost one hundred members that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.

[2] https://www.sec.gov/comments/4-698/4698-20154753-322976.pdf

on brokers and one-third to participating exchanges. And when the allocation to FINRA is included that cost to the industry is over 80%.

The justification for this proposed imbalance, according to the exchanges, is that brokers' business models increase trading activity and complexity, and that since there are more brokers than exchanges, brokers should bear a higher proportion of costs. These justifications are thin and not grounded in any type of substantive data or evidence. The CAT was set up to manage institutional messaging traffic, but the exchanges themselves are creating more traffic through an increase in order messages which directly results in incremental maintenance costs. The cost-sharing structure exchanges have proposed is out of line and the SEC should not allow exchanges to impose costs on brokers when it is the exchanges who are responsible for additional costs.

The Exchange Act requires that rules promulgated by exchanges provide, amongst other things, for the "equitable allocation of reasonable dues, fees, and other charges." [3] The proposed Executed Share Model is neither equitable, nor reasonable. This fact provides the SEC with a strong legal basis to reject the model as proposed and direct CAT participants to develop a more sustainable and equitable system of cost allocation.

Firms not registered with the SEC as broker-dealers – yet are still responsible for a large portion of daily trading volume in the equity markets – would also get a free ride from this proposed plan while small and mid-size customer-facing brokers will bear an unfair and heavy cost burden.

Put simply, the proposed Executed Share Model is discriminatory against broker-dealers and their customers and will only raise costs for investors while making the CAT no more effective as a regulatory tool for the SEC.

Given these concerns, the ASA urges the SEC to reject the proposed Executed Share Model. The ASA looks forward to being a resource to SEC commissioners and staff regarding this topic.

Sincerely,

Christopher A. Iacovella

Christopher A. Iacovella
Chief Executive Officer
American Securities Association

[3] Sec. 6 of Securities Exchange Act