

April 24, 2025

The Honorable Paul Atkins, Chairman
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

**Re: Consolidated Audit Trail:
NYSE Proposals to Lower Costs while Maintaining Regulatory Benefits**

Dear Chairman Atkins:

The NYSE Exchanges¹ wish to express support for finding meaningful ways to address the growing — and unsustainable — costs and burdens of the Consolidated Audit Trail (“CAT”), which have upset the balance the Commission sought to strike when it originally adopted Rule 613 in 2012.²

We appreciate your willingness to review the CAT’s current operations and design, including evaluating whether, as ultimately implemented, it is calibrated effectively to meet the intended goals, and safeguard privacy interests, in today’s markets.³ The NYSE Exchanges, along with others, have previously suggested CAT amendments, including cost saving measures, to Commission staff but to our disappointment many of those proposals — to date — have not been supported by the Commission.

To renew the conversation about cost savings and better tailoring the CAT to meet its initial design objectives without imposing undue burdens on the marketplace or introducing unintended risks, the NYSE Exchanges request that the Commission consider certain changes to the CAT,

¹ The NYSE Exchanges include New York Stock Exchange LLC, NYSE American LLC, NYSE Arca, Inc., NYSE National, Inc. and NYSE Texas, Inc.

² Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012) (Consolidated Audit Trail) (File No. S7-11-10).

³ United States Congress, Senate, Banking, Housing, and Urban Affairs, *Nominations of Mr. Paul Atkins, to be a Member, Securities and Exchange Commission; Mr. Jonathan Gould, to be Comptroller of the Currency, Department of the Treasury; and Mr. Luke Pettit, to be an Assistant Secretary of the Treasury, Department of the Treasury; and The Honorable Marcus Molinaro, to be Federal Transit Administrator, Department of Transportation*, Senate Hearing (March 27, 2025).

listed below. We believe each of these proposals preserve the regulatory purposes of the CAT while allowing it to operate more efficiently and at substantially lower costs. And, of course, the NYSE Exchanges would be happy to provide feedback on any other options the Commission may consider.

- **Further Focus the Customer Data within CAT to That Which Is Most Useful to Achieving CAT’s Purpose.** The NYSE Exchanges appreciate the recent steps taken by the Commission to exempt reporting of certain personally identifiable information from the CAT.⁴ We believe additional customer data could also be eliminated, as outlined in Consolidated Audit Trail, LLC’s (“CAT LLC’s”) recently proposed Plan amendment, as part of an effort to more effectively calibrate the CAT.⁵ Doing so would reduce costs and further address potential privacy concerns without compromising the CAT’s regulatory functionality. We recognize, however, that the CAT must retain limited anonymized customer information, such as CAT-generated Customer Identifiers (“CCIDs”), a fundamental enhancement of the CAT over previous systems. We are open to considering the best method of preserving CCID, but believe it could be accomplished in at least two ways. First, all unnecessary customer data could be removed from the Customer and Account Information System (“CAIS”), keeping CCID within that database. Alternatively, CAIS could be eliminated in its entirety, provided that there is a transition period, where some form of CAIS persisted until an alternative effective and cost-efficient solution for CCIDs — or another unique customer identifier methodology — was implemented.
- **Allow Flexibility in CAT Performance and Technical Requirements.** The Commission should consider removing Appendix D from the CAT NMS Plan itself, which imposes stringent and overly specific performance and technical requirements that increase costs significantly and do not align with what was contemplated when the CAT was initially adopted by the Commission. The NYSE Exchanges believe having flexibility to adjust these requirements at the CAT LLC Operating Committee level, rather than seeking Commission approval for each and every change, will allow CAT plan participants to make reasonable and efficient decisions about functionalities of the system.
- **Cease Collecting Low Regulatory Value Options Market Maker Quotes.** The NYSE Exchanges believe that options market maker quotes serve minimal regulatory value, but such information is a major cost driver for both storage and computation. Therefore, on a cost-benefit basis, collecting this information should not be required.
- **Amend the Deadlines for Processing CAT Data.** The CAT is not designed or intended to be a real-time system, yet specified timelines for processing data are very short.

⁴ Securities Exchange Act Release No. 102386 (February 10, 2025) (File No. 4-698).

⁵ 90 FR 12845 (March 19, 2025).

Extending minimum processing times would preserve regulatory uses and could save tens of millions of dollars annually, including expensive cloud service costs.

- **Eliminate CAT Query Tools that are Seldom Used and Redundant.** Eliminating Online Targeted Query Tools, which are costly and infrequently used, in favor of more widely used, sophisticated tools, would save millions while still allowing regulators to effectively utilize the CAT.
- **Adjust Record Retention Obligations.** The NYSE Exchanges believe that significant savings can be achieved by placing older CAT data in less expensive storage mechanisms. Currently, the Commission requires CAT LLC to keep six years of CAT data easily accessible. The NYSE Exchanges believe that three years is more reasonable, particularly given increasing volumes. CAT data outside of that timeframe would still be accessible, if needed.
- **Eliminate “Late to the Lifecycle” Processing.** CAT LLC spends millions of dollars processing large volumes of existing data to accommodate late CAT reports. The NYSE Exchanges believe this is unnecessary to serve regulatory purposes.
- **Approve Proposal to Permanently Exempt Certain Verbal Activity from Reporting.** A proposed CAT NMS Plan amendment has been pending with the Commission since August 2024 to make the existing exemption pertaining to the reporting of verbal floor and upstairs activity permanent.⁶ As outlined in the proposal, any potential marginal regulatory benefit of verbal quoting activity data is substantially outweighed by the significant costs and burdens.
- **Rescind the Proposal Related to CAT NMS Plan Security Amendments.** In 2020, the Commission proposed amendments to the CAT NMS Plan relating to the security of the CAT⁷ that would impose substantial costs and, in the opinion of the NYSE Exchanges and others, reduce overall security. Given the removal of customer data collected by the CAT on a go-forward basis, and the potential substantial reduction in such historical data held by the CAT pursuant to CAT LLC’s recently proposed amendment,⁸ the NYSE Exchanges believe this proposal is not timely or appropriate.

The NYSE Exchanges hope to work constructively and expeditiously with the Commission and Commission staff to drastically reduce the costs associated with the CAT and better safeguard

⁶ See Securities Exchange Act Release No. 100727 (August 14, 2024), 89 FR 67499 (August 20, 2024) (Joint Industry Plan; Notice of Filing of Amendment to the National Market System Plan Governing the Consolidated Audit Trail Regarding Reporting of Certain Verbal Activity, Floor and Upstairs Activity) (File No. 4-698).

⁷ See Securities Exchange Act Release No. 89632 (August 21, 2020), 85 FR 65990 (October 16, 2020) (Joint Industry Plan; Proposed Amendments to the National Market System Plan Governing the Consolidated Audit Trail To Enhance Data Security) (File No. S7-10-20).

⁸ See footnote 5.

key privacy interests while preserving the NYSE Exchanges' ability to meet their regulatory obligations under the Securities Exchange Act. The NYSE Exchanges would welcome the opportunity to meet with your office to discuss the proposals set forth above.

Sincerely,

A handwritten signature in dark ink, appearing to read 'JK' or 'Jaime Klima', with a stylized, cursive script.

Jaime Klima
General Counsel, NYSE

cc: The Honorable Mark Uyeda, Commissioner, SEC
The Honorable Hester Peirce, Commissioner, SEC
The Honorable Caroline Crenshaw, Commissioner, SEC
David Saltiel, Acting Director, Division of Trading and Markets, SEC
Tony Frouge, Chief Regulatory Officer, NYSE