

United States Senate

WASHINGTON, DC 20510

May 19, 2025

The Honorable Paul Atkins
Chairman
Securities and Exchange Commission
100 F St NE
Washington, D.C. 20549

Dear Chairman Atkins:

We are writing to request information regarding the U.S. Securities and Exchange Commission's (SEC or the Commission) Consolidated Audit Trail (CAT) and to express concern with the SEC's efforts to potentially terminate or materially weaken the program. Specifically, we are concerned that the SEC's recent decision to provide an exemption from the requirement to report certain personally identifiable information,¹ and any future actions it may take to further curtail the program, will significantly impair the agency's ability to understand market events and pursue bad actors, thereby jeopardizing the integrity of our markets. Accordingly, we request assurances from the SEC that it will continue to maintain the CAT in its current form as a critical investigation and enforcement tool designed to prevent illicit market manipulation, including by foreign actors.

The Commission first proposed the CAT following the "Flash Crash" on May 6, 2010, when a foreign trader placed thousands of fake trades leading to a steep decline in financial markets, before partially recovering, in the span of a few minutes.² The regulatory infrastructure that existed at that time was "outdated and inadequate to effectively oversee a complex, dispersed, and highly automated national market system."³ As the Commission recognized in its Proposing Release for the CAT plan, "lack of cohesive, readily available order and execution information creates significant hurdles for investigators at both the [self-regulatory organizations] and at the Commission... This requires accumulation and interpretation of data from numerous, disparate sources sometimes presenting inconsistent information. Similarly, the experience of the Commission staff shows that the lack of a consolidated audit trail results in the significant investment of resources to investigate potential market abuses."⁴ CAT is now the world's biggest repository of securities data and has been used to catch misconduct that may not have been uncovered without it.⁵

¹ Securities and Exchange Commission, "Exemption From the Requirement to Report Certain Personally Identifiable Information to the Consolidated Audit Trail," press release, February 10, 2025, <https://www.sec.gov/newsroom/press-releases/2025-38>.

² Politico, "SEC's Consolidated Audit Trail", Declan Harty and Taylor Mills Thomas, August 6, 2024, <https://www.politicopro.com/analysis/secs-consolidated-audit-trail.pdf>.

³ Securities and Exchange Commission, Final Rule: Consolidated Audit Trail, p.6, <https://www.sec.gov/files/rules/final/2012/34-67457.pdf>.

⁴ Securities and Exchange Commission, Federal Register Notice, Proposed Rule: Consolidated Audit Trail, June 8, 2010, <https://www.federalregister.gov/documents/2010/06/08/2010-13129/consolidated-audit-trail>.

⁵ Barron's, "The SEC is Considering Blunting Its Trade-Tracking System," Bill Alpert, April 11, 2025, <https://www.barrons.com/articles/sec-trade-tracking-system-cat-b2222e58>.

As the Commission itself has argued in defense of the CAT in court, “if the CAT were enjoined, the harm to the government and the public interest from the injunction would be grave and immediate”⁶ and the CAT is a “critically important tool” to “protecting the integrity and efficient operation of the market for nationally traded securities.”⁷ There has been extraordinary volatility in the market in recent weeks,⁸ creating conditions that are ripe for potential abuse at the expense of the investing public.⁹ Now more than ever, the SEC must ensure that it has the appropriate tools to protect investors; maintain fair, orderly, and efficient markets; and protect U.S. markets from foreign-backed market manipulation efforts.

Despite strong evidence indicating the importance of the CAT, the SEC, amidst the broader chaos wrought by this Administration, is taking steps to implement a Project 2025 proposal.”¹⁰ Specifically, on February 10, 2025, the Commission determined that the CAT would no longer collect – and broker-dealers would no longer report – certain names, addresses, and years of birth of natural persons.¹¹ Additionally, the Commission granted exemptive relief from certain sections of the CAT National Market System plan it had previously approved.¹² Now, we are concerned that the SEC will not fulfill its duty to defend the CAT, duly approved by the Commission, in court.¹³

During your confirmation hearing before the Senate Committee on Banking, Housing, and Urban Affairs on March 27, 2025, you described your involvement in Project 2025 by saying, “I participated in a couple of phone calls,” and “I participated in a call or two, but I wasn’t involved in drafting.”¹⁴ Although you maintain that your involvement with Project 2025 was minimal, your refusal during your confirmation hearing to rule out terminating the program—a policy specifically endorsed in Project 2025—raises serious concerns that this Administration may take actions that threaten the integrity of our markets, while the Commission takes steps to remove an enforcement tool to crack down on foreign manipulation of those markets.

⁶ Erik Davidson, et al. v Gary Gensler, in his official capacity as Chairman of the U.S. Securities and Exchange Commission et al., SEC Defendants’ Motion to Dismiss and Opposition to Plaintiff’s Preliminary Injunction Motion; Bloomberg Law, “Insider Trader Gets Jail as SEC Reviews Tool That Caught Him,” Chris Dolmetsch, April 28, 2025, <https://news.bgov.com/new-york-brief/insider-trader-gets-jail-as-sec-reconsiders-tool-that-caught-him>.

⁷ *Id.*

⁸ Morningstar, “U.S. Stocks See Biggest 2-Day Wipeout in History as Market Loses \$11 Trillion Since Inauguration Day,” Joseph Adinolfi, April 4, 2025, <https://www.morningstar.com/news/marketwatch/20250404446/us-stocks-see-biggest-2-day-wipeout-in-history-as-market-loses-11-trillion-since-inauguration-day>; Associated Press, “Wall Street’s euphoria sends US stocks to historic gains after Trump pauses most of his tariffs,” Stan Choe, April 9, 2025, <https://apnews.com/article/stocks-markets-tariffs-trump-721a3a5971f1b254981d32f4acb9eb17>.

⁹ The New Republic, “Trump Brags About How Tariff Pause Made His Friends Even Richer,” Edith Olmsted, April 10, 2025, <https://newrepublic.com/post/193860/donald-trump-brags-tariff-pause-made-billionaires-richer>.

¹⁰ PoliticoPro, “SEC pulls back on investor information in massive trading database,” Declan Harty, February 10, 2025, <https://subscriber.politicopro.com/article/2025/02/sec-pulls-back-on-investor-information-in-massive-trading-database-00203471>.

¹¹ Securities and Exchange Commission, Securities Exchange Act Release No. 34-102386, Feb. 10, 2025, <https://www.sec.gov/files/rules/sro/nms/2025/34-102386.pdf>.

¹² *Id.*

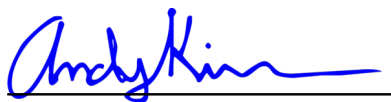
¹³ Letter from House Financial Services Committee Chair, et al., to SEC Acting Chairman Mark Uyeda, February 28, 2025, <https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=409483>.

¹⁴ Nomination Hearing Before the Senate Committee on Banking, Housing, and Urban Affairs, 119 Cong. (testimony of Paul Atkins) (2025).

To help us understand the impact of the recent decisions and future plans for the CAT on the SEC's ability to monitor and respond to market events and investigate wrongdoing, please respond to the following by May 30, 2025:

1. How has the SEC's decision on February 10, 2025, to stop collecting certain basic customer identifying information, affected its ability to efficiently and effectively monitor suspicious activity, unwind events, or stave off market disruptions?¹⁵
2. In what ways does the ability to monitor certain foreign ownership and activity through the CAT help the SEC protect the market and other national interests? In what ways does failure to efficiently monitor and analyze such data create or amplify risks?
3. Is the SEC able to provide assurances that it will not follow the Project 2025 playbook and terminate the CAT, or refuse to continue defending it in litigation?
4. If the SEC terminated the CAT, would the Commission need to revert to "accumulation and interpretation of data from numerous, disparate sources sometimes presenting inconsistent information?" How would industry participants track and report suspicious trading activity?¹⁶
5. Please provide an estimate of the incremental cost to the agency to maintain appropriate levels of monitoring, investigation, and other activities in the event of termination of the CAT, in light of the efficiencies afforded by the CAT.
6. Would terminating the CAT result in delays to the Commission's ability to investigate and pursue bad actors? Please describe the impact of such delays on the ability to freeze and recover proceeds from illegal activity.

Sincerely,



Andy Kim
United States Senator



Jack Reed
United States Senator

¹⁵ Securities and Exchange Commission, "Declawing the CAT: Statement on Consolidated Audit Trail Exemptive Relief," Feb. 10, 2025, https://www.sec.gov/newsroom/speeches-statements/crenshaw-statement-consolidated-audit-trail-021025#_ftn8.

¹⁶ Barron's, "The SEC is Considering Blunting Its Trade-Tracking System, Bill Alpert, April 11, 2025, <https://www.barrons.com/articles/sec-trade-tracking-system-cat-b2222e58> ("[I]ndustry has decommissioned its prior system for reporting suspicious trades to the SEC.")



Elizabeth Warren
Ranking Member
Committee on Banking,
Housing, and Urban Affairs



Chris Van Hollen
United States Senator