STATE STREET GLOBAL ADVISORS SPDR®

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Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Submitted electronically to: rule-comments@sec.gov

RE: File No. 4-698; Joint Industry Plan; Notice of Filing of Amendment to the National Market System Plan Governing the Consolidated Audit Trail by BOX Exchange LLC; Cboe BYX Exchange, Inc., Cboe BZX Exchange, Inc., Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe C2 Exchange, Inc. and Cboe Exchange, Inc., Financial Industry Regulatory Authority, Inc., Investors Exchange LLC, Long-Term Stock Exchange, Inc., Miami International Securities Exchange LLC, MEMX, LLC, MIAX Emerald, LLC, MIAX PEARL, LLC, Nasdaq BX, Inc., Nasdaq GEMX, LLC, Nasdaq ISE, LLC, Nasdaq MRX, LLC, Nasdaq PHLX LLC, The NASDAQ Stock Market LLC; and New York Stock Exchange LLC, NYSE American LLC, NYSE Arca, Inc., NYSE Chicago, Inc., and NYSE National, Inc. (Funding Model Amendment)

Dear Ms. Countryman:

State Street Global Advisors appreciates the opportunity to provide comments to the Securities and Exchange Commission ("SEC") on the proposed amendment to the National Market System Plan Governing the Consolidated Audit Trail to implement a revised funding model ("Proposed Funding Model") for the consolidated audit trail ("CAT") filed by the Self-Regulatory Organizations ("SROs") that are the Plan Participants to the CAT.

State Street Global Advisors is the third-largest asset manager in the world and the sponsor/marketer of the SPDRs family of exchange-traded funds ("ETFs"), which includes 133 ETFs in the United States and more globally. The views expressed in this letter are those of State Street Global Advisors as they pertain to ETFs listed in the United States.

Summary

We support the creation of the CAT for regulatory purposes. Improving the ability of securities regulators to monitor market activity and reconstruct market events efficiently and accurately is critical for investor confidence in US equities and options markets.

From our perspective as an ETF issuer, we believe the marketplace would benefit from greater transparency regarding the operating costs of the CAT. We also believe that the Proposed Funding Model's cost allocation methodology presents certain risks to market quality and investors that should be addressed.

Greater Transparency of CAT Operating Costs

We share the concerns that have been raised by several commenters regarding the need for greater transparency of the CAT expenses and operating budget.

The Proposed Funding Model filing and a Supplemental Data Letter submitted by the SROs on May 5, 2021, provided the first disclosure of the total budgeted CAT costs for 2021, which are $132,522,082.[1] This amount is more than double the yearly estimated CAT costs of $50,700,000 from the original funding model proposal in 2017.[2]

Greater disclosure of the breakdown of CAT costs and operating budget could help address questions that the Proposed Funding Model raises, including but not limited to: Why has the CAT budget increased so much in just a few years?; Has the increase in costs come with benefits?; What assurance do investors have that the CAT will not become an ever-growing expense for the securities industry, with costs passed on to them?

Risks of Cost Allocation Methodology

We are concerned that the allocation of CAT fees to broker-dealers based on message traffic, modified by certain discounts and thresholds, may create perverse incentives that affect behavior of industry members. For ETFs, behavioral effects of the allocation methodology could interfere with efficient and well-functioning markets and could be detrimental to liquidity and investors.

It is difficult to predict the extent to which CAT fees may impact quoting behavior, particularly since the Proposed Funding Model makes it difficult for industry members to project their actual CAT-related costs. Nevertheless, we are concerned that the allocation methodology may cause some firms to reduce the frequency of quote updates in order to minimize their CAT-related message traffic. Bid-ask spreads could widen commensurate with the increased risk of reduced quoting, which increases costs for investors.

Behavioral effects could be pronounced in ETF markets, given the relatively high-message requirements associated with ETF market making activity, including quoting, hedging, and arbitrage that helps keep the prices of ETF shares close to the value of the holdings. Should the allocation of CAT fees cause adverse behavioral shifts, it could interfere with the arbitrage mechanism and negate the work that industry members and exchanges have done to promote tighter bid-ask spreads, deeper markets, and greater participation among liquidity providers, benefiting investors.

The SEC should ask the SROs to engage directly with the wider broker-dealer community to arrive at a workable alternative approach.

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We are grateful for the opportunity to comment on this topic. Should you wish to discuss any aspect of our response or would like further information, please do not hesitate to contact us.

Yours sincerely,

Gunjan Chauhan

Senior Managing Director
Global Head of SPDR Capital Markets
State Street Global Advisors

[1] Available at https://www.sec.gov/comments/4-698/4698-8760381-237447.pdf.
[2] Available at https://www.sec.gov/rules/sro/nysearca/2017/34-80698.pdf.