July 8, 2026

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

Re: Joint Industry Plan; Notice of Filing of the Third Amendment to the Limited Liability Company Agreement of CT Plan LLC to Adopt Revenue Allocation Formula Revisions (Release no. 34-105680; File No. 4-757)

Dear Ms. Countryman:

PTG[1] appreciates the opportunity to comment on the Third Amendment to the Limited Liability Company Agreement of CT Plan LLC (the “Third Amendment”), which imposes a 5:1 cap on the ratio of quote-related revenues to trade-related revenues distributed to individual members under the CT Plan revenue allocation formula.[2] While we generally agree with the Third Amendment as a corrective measure, it does not go far enough and does not remedy the structural deficiencies in the current formula. Rather than proceeding with this proposal, the Commission should require meaningful reform that addresses exchange proliferation.

I. Background

The revenue allocation formula adopted as part of Regulation NMS in 2005 was designed to more appropriately reflect the contributions of the various self-regulatory organizations (“SROs”) to the consolidated data stream and better align the interests of individual markets with the interests of investors.[3] The current formula no longer effectively advances that objective. The Commission has separately recognized the costs and inefficiencies associated with excessive exchange venue proliferation in our equity markets.[4] The current securities information processor (“SIP”) revenue allocation formula actively contributes to that excessive proliferation. By permitting exchanges to

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[1] PTG, formerly known as the FIA Principal Traders Group (“FIA PTG”), is a leading trade association of principal trading firms advocating for fair, transparent, and robust markets. Members provide essential liquidity and facilitate price discovery, both critical to well-functioning markets. PTG engages with policymakers and regulators to safeguard market integrity by offering expert guidance on market structure while highlighting the positive contributions of liquidity providers.

[2] Joint Industry Plan; Notice of Filing of the Third Amendment to the Limited Liability Company Agreement of CT Plan LLC to Adopt Revenue Allocation Formula Revisions, Exchange Act Release No. 34-105680, File No. 4-757 (June 17, 2026) ("Third Amendment").

[3] Securities Exchange Act Release No. 51808, 70 FR 37496, 37563 (June 29, 2005) ("NMS Adopting Release").

[4] *See generally* Securities Exchange Act Release No. 34-105655 (June 11, 2026) (proposal to rescind Rule 611 of Regulation NMS).

earn meaningful market data revenues without making commensurate contributions to trading activity, liquidity, or price discovery, the formula creates powerful economic incentives for the creation and maintenance of venues whose primary function is revenue extraction rather than market quality improvement.

The current allocation methodology places excessive emphasis on quoting activity versus executed trading activity while executions provide the strongest evidence of price discovery because they reflect completed transactions between willing buyers and willing sellers.

Further, not all quotations contribute equally to price discovery. Quotations that establish or improve the national best bid and offer "NBBO") provide new pricing information, but the value of that information ultimately depends on whether it is used to facilitate trading. The current formula fails to distinguish adequately between quotations that establish the NBBO and facilitate trading, quotations that join an existing NBBO, and quotations that never result in executions at all. Instead, it treats all qualifying quotations as having substantially similar economic value, even though their contributions to price discovery differ materially.

The Third Amendment itself documents this dynamic with specificity. NYSE Chicago (now NYSE Texas) maintained quote-to-trade ratios exceeding 20:1 for multiple years beginning in 2021. LTSE achieved ratios of 107:1 on Tape A, 70:1 on Tape B, and 88:1 on Tape C in 2024.[5] What makes this pattern particularly notable is that, as the Operating Committee acknowledges, neither venue attracted this activity through explicit incentive programs; the existing formula provided sufficient economic motivation on its own.[6] The Operating Committee's candid admission that "there is no guarantee that individual Members will not choose to offer such incentives in the future"[7] underscores that the proposed cap, while necessary, addresses a symptom rather than the underlying cause.

II. The Third Amendment Addresses Only a Narrow Set of Outlier Outcomes

By the Operating Committee's own analysis, the 5:1 cap would have affected only 25 of 318 distributions across all members and all three tapes over the seven-year period from 2018 to 2024, fewer than 8% of all distributions. For the remaining 92%, the amendment leaves the revenue allocation formula entirely unchanged.

Critically, even for the distributions that would not have triggered the cap, the average quote-to-trade revenue ratio was approximately 1.8:1 across all three tapes, meaning the formula would continue to systematically award quote revenue at nearly double the rate of trade revenue even for exchanges operating well within the proposed cap.[8] This persistent imbalance reflects a structural misalignment between the formula's design and its foundational purpose of rewarding contributions to price discovery.

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[5] Third Amendment, *supra* note 1.

[6] *Id.*

[7] *Id.*

[8] This figure is derived from the Operating Committee's own data. Third Amendment, *supra* note 1.

III. Recommendations

The Commission should use this proceeding to undertake broader reforms that better align SIP revenue allocations with genuine contributions to price discovery, market quality, and the efficient operation of the national market system. PTG recommends the following:

A. Reduce Overall CT Plan Costs

The consolidated market data plans were established to serve as industry utilities that disseminate core market data for the benefit of investors and the national market system. They were not intended to function as profit centers or to create economic incentives for the proliferation of exchanges. The Commission should therefore undertake a comprehensive review of CT Plan operating costs, governance, and fee structures to ensure that the Plans recover only those costs reasonably necessary to administer and operate the consolidated data feeds.

Reducing unnecessary operating costs and limiting SIP revenues to market utility levels would lower the economic rents associated with market data revenues, reduce incentives to establish exchanges principally to participate in revenue allocations, and better align the CT Plan with its intended public utility function.

B. Significantly Increase the Weighting Assigned to Trade Executions

The current formula allocates 50% of revenues to trading activity and 50% to quoting activity based on the Commission's 2005 determination that trades and quotes are of approximately equal importance to price discovery.[9] That equivalence no longer reflects the actual informational content of these two forms of market activity and has resulted in a formula that places excessive emphasis on quoting activity relative to executed trading activity.

Executions provide the strongest evidence of price discovery because they reflect completed transactions between willing buyers and sellers at agreed-upon prices. A quotation, by contrast, is merely a revocable offer to trade that, as the conduct of NYSE Chicago and LTSE demonstrated, may reflect no genuine commitment to transact whatsoever. We believe that only trade executions should be rewarded in the allocation formula. Executions against a displayed quote could be rewarded more than other executions if the SEC thinks it is important to incentivize displayed liquidity. At a minimum, the Commission should revisit the 50/50 weighting and reallocate a far greater share of revenues toward executions.

C. Limit Quote Credits to NBBO-Setting Quotations That Result in Executions

If the Commission determines that quotations should continue to receive credit under the SIP revenue allocation formula, those credits should be limited to quotations that both contribute to price discovery and demonstrate utility to investors through actual executions. The current formula treats all qualifying NBBO quotations as having substantially equivalent economic value, regardless of whether a given quotation facilitates trading. This equivalence is economically indefensible. This approach risks encouraging strategic quoting activity that generates revenue without producing corresponding benefits for investors or the price formation process. As the Commission recognized in the NMS Adopting Release, the formula was designed to reward

[9] NMS Adopting Release, 70 FR at 37568.

contributions to price discovery, not the passive replication of prices already reflected in the consolidated quote stream.[10]

PTG recommends that, if the Commission determines that quotations should continue to receive any credit, the Commission direct the Operating Committee to develop an enhanced Quote Credit structure that prioritizes quotations that establish or improve the NBBO and subsequently result in an execution. Such a standard would reward quotations that both introduce new pricing information to the marketplace and demonstrate that information's value through actual trading activity. This distinction is administratively feasible, as the SIP already identifies on a security-by-security basis which exchange establishes each new NBBO, and would more precisely align revenue incentives with genuine contributions to price formation.

D. Establish a Minimum Participation Threshold as a Prerequisite for Revenue Sharing

The current framework permits exchanges with de minimis trading activity to receive meaningful SIP revenue allocations. Exchanges should demonstrate a commensurate contribution to trading activity, liquidity and price discovery before participating in consolidated market data revenues.

We recommend that the Commission consider establishing a minimum participation threshold (e.g., 2% market share) as a prerequisite to sharing in SIP revenues. An exchange that accounts for a negligible fraction of actual trading volume has, by definition, made a negligible contribution to executed price discovery, regardless of how aggressively it quotes. Conditioning revenue participation on a demonstrated minimum contribution would sharpen the formula’s incentive structure and reduce the economic attractiveness of operating a venue solely for quote revenue-extraction purposes.

IV. Conclusion

In revisiting the revenue allocation formula, the Commission and the Operating Committee should address the more fundamental misalignment between the formula’s design and today’s market structure. When Commissioner Atkins dissented from Regulation NMS in 2005, he warned that its rules would generate unintended market distortions rather than enhance efficiency. Two decades later, as Chairman, he acknowledged at the December 2025 roundtable that the incentives embedded in that revenue allocation formula are among those distortions and warrant serious reconsideration.[11] As the Commission undertakes a broader reconsideration of Regulation NMS, including its concurrent proposal to rescind Rule 611, the Commission has an opportunity to implement the reforms recommended herein and ensure the formula serves its foundational purpose: rewarding those who genuinely contribute to the quality, efficiency, and integrity of the national market system.

We thank the Commission for considering our comments. Please feel free to contact the undersigned with any questions regarding these comments.

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[10] NMS Adopting Release, 70 FR at 37564.

[11] Remarks of Chairman Paul S. Atkins at the Roundtable on Rule 611 of Regulation NMS, Austin, TX (Dec. 16, 2025), available at https://www.sec.gov/newsroom/speeches-statements/atkins-121625-remarks-roundtable-rule-611-regulation-nms.

Sincerely,

PTG

Joanna Mallers
Secretary

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