



California Public Employees' Retirement System

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

November 24, 2020

**Subject: Amendments to the National Market System Plan Governing the Consolidated Audit Trail to Enhance Data Security Release No. 34-89632 (File No. S7-10-20) (Proposed Rule)**

Dear Secretary Countryman,

On behalf of the California Public Employees' Retirement System (CalPERS), we write to emphasize the importance of the Consolidated Audit Trail (CAT) and to support the Securities and Exchange Commission's (SEC or Commission) work to effectuate the CAT. As the largest public defined-benefit pension fund in the United States, we currently manage over \$420 billion in global assets on behalf of more than 2 million public employees, retirees, and beneficiaries.

Currently, the U.S. lacks "a comprehensive audit trail that provides regulators with accurate, complete, accessible, and timely data on the overall markets for which regulators have oversight responsibilities."<sup>1</sup> In other words, regulators are unable to automate their processes to track trading by market participants across venues and products. The CAT was meant to address this problem by enabling the SEC to more efficiently and thoroughly track all trading activity in the U.S. equity and options market. An effective CAT is critical because it would greatly aid investors over the long term. Organizations like CalPERS would benefit, in particular, because we have a duty to pay benefits decades into the future.

We urge the Commission to accelerate its actions to establish the CAT by overcoming what appears to be another attempt to prevent the CAT from becoming operational. We share the Commission's and others' desire to ensure that the CAT's data security is effective, and we are confident the Commission can address any such concerns without further delaying implementation of the CAT. We are concerned, however, that the Proposed Rule will result in an unnecessary delay given the numerous issues presented to lay people, so we have proposed some constructive next steps below.

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<sup>1</sup> Consolidated Audit Trail, Sec. and Exch. Comm'n, Exchange Act Rel. No. 34-67457 (Jul 18, 2012), 77 Fed. Reg. 45722 (Aug. 1, 2012), (CAT Final Rule).

## I. CalPERS' CONCERNS WITH THE PROPOSED RULE

The Proposed Rule is 438 pages long and contains 219 detailed operational questions. We appreciate that the Commission has provided a unique opportunity to weigh in on very detailed issues involving data security. In light of the ten years of consideration of the CAT, we urge the Commission to press forward with establishing the CAT by quickly using best practices and overcoming the issues just as numerous other government organizations have done.

## II. NEXT STEPS

To move matters forward, we would like to see a reasonable timeline for the completion of the CAT and diligent effort to meet such timeline. The Commission expected the CAT to close a significant information gap to address certain risks. By continuing to rely on existing audit trails with disparate requirements, all such risks continue to exist and pose a significantly greater threat to our markets today than ten years ago. The existing audit trails do not meet the requirements provided in the Proposed Rule. In other words, the need for the CAT is now more urgent than ever. The Commission must act quickly and diligently to complete the CAT.

## III. CONCLUSION

CalPERS has long supported timely completion and operation of the CAT so that regulators are able to identify risks that threaten our equity and option markets and to appropriately take action to mitigate those risks. We have shared this view with Congress on multiple occasions. We are concerned that the Proposed Rule, as written, is unnecessary to address data security and the move makes efficient implementation of the CAT less likely. Thus, we are concerned that the Proposed Rule will impede the ability of regulators to monitor and address predatory or illegal trading and protect investors, like CalPERS. The best thing that the SEC can do now is to complete the CAT as quickly as reasonably possible.

We welcome the opportunity to discuss this release in more detail. Please contact Anne Simpson, Managing Investment Director, at [REDACTED], if you have any questions or wish to continue this discussion.

Sincerely,

Marcie Frost  
Chief Executive Officer

cc: Anne Simpson