SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 240 and 242

[Release No. 34-106950; File No. S7-2026-40]

RIN 3235-AN54

Restructuring the Governance and Funding Model of the Consolidated Audit Trail

AGENCY: Securities and Exchange Commission.

ACTION: Proposed rule.

SUMMARY: Although the consolidated audit trail (the "CAT") continues to be a necessary regulatory tool, its decentralized governance has presented certain challenges to administering the CAT. To address those shortcomings, the Securities and Exchange Commission (the "Commission" or the "SEC") proposes to assume direct control of the CAT. Specifically, the Commission is proposing amendments to Regulation NMS under the Securities Exchange Act of 1934 ("Exchange Act") that would rescind Rule 613, which obligates the national securities exchanges and national securities associations (collectively, the "SROs") to act jointly to develop a national market system plan to develop, implement, and maintain the CAT (the "CAT NMS Plan"). The Commission is simultaneously proposing new Rule 17a-26, which would require the SROs and broker-dealers to record and electronically report to a central repository substantially the same information that was previously required to be recorded and reported pursuant to Rule 613, the CAT NMS Plan, related SRO compliance rules, and related exemptive relief previously issued by the Commission.

DATES: This release was published in the Federal Register on [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]. Comments should be received on or before

[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/comments/s7-2026-40/restructuring-governance-funding-model-consolidated-audit-trail); or
- Send an email to rule-comments@sec.gov. Please include File Number S7-2026-40 on the subject line.

Paper Comments:

- Send paper comments to Vanessa A. Countryman, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number S7-2026-40. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method of submission. The Commission will post all comments on the Commission's website (https://www.sec.gov/rules-regulations/public-comments/s7-2026-40). Do not include personally identifiable information in submissions; you should submit only information that you wish to make available publicly. The Commission may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

Studies, memoranda, or other substantive items may be added by the Commission or staff to the comment file during this rulemaking. A notification of the inclusion in the comment file of any such materials will be made available on the Commission's website. To ensure direct

electronic receipt of such notifications, sign up through the "Stay Connected" option at www.sec.gov to receive notifications by email.

A summary of the proposal of not more than 100 words is posted on the Commission's website (https://www.sec.gov/rules-regulations/2026/11/s7-2026-40).

FOR FURTHER INFORMATION CONTACT: Justin Pica, Assistant Director, Erika Berg, Special Counsel, Cathy Lian, Special Counsel, and Andrew Sherman, Special Counsel, at (202) 551-5500, Division of Trading and Markets, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-7010.

SUPPLEMENTARY INFORMATION: The Commission is proposing to rescind Rule 613 of Regulation NMS, 17 CFR 242.613, and to add Rule 17a-26, 17 CFR 240.17a-26, under the Exchange Act.

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I. Introduction

The CAT is an integral part of the Commission's toolkit for overseeing the U.S. securities markets. Among other things, it provides efficient access to market data in a manner that facilitates more effective surveillance, investigation, and enforcement, and provides an unparalleled ability to reconstruct market activity and conduct market analysis. In these ways, the CAT supports regulatory efforts to administer and enforce the federal securities laws. Without it, or some effective substitute, the ability of the Commission and the SROs to protect investors and to maintain fair, orderly, and efficient markets would be significantly diminished.

The Commission adopted Rule 613 of Regulation NMS in 2012.[1] Rule 613 required the SROs to jointly develop and submit to the Commission a national market system plan to create, implement, and maintain a consolidated audit trail to collect specified data from the SROs and their members and to provide access to such data to each SRO and the Commission "for the purpose of performing . . . regulatory and oversight responsibilities pursuant to the federal securities laws, rules, and regulations."[2] The national market system plan submitted by participating SROs (or the "Participants") to fulfill the requirements of Rule 613 was approved by the Commission in 2016.[3]

By its nature, a national market system plan is jointly administered by the SROs and governed collectively. However, in the context of administering a complex and expensive market-wide audit trail system, the decentralized governance structure established by an NMS

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1 Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012) ("Rule 613 Adopting Release").

2 17 CFR 242.613(a)(1), (c), (e)(1).

3 See Securities Exchange Act Release No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) ("CAT NMS Plan Approval Order"). The CAT NMS Plan is Exhibit A to the CAT NMS Plan Approval Order. See CAT NMS Plan Approval Order, at 84943-85034.

Plan across 29 Participant-owners, and with many changes of the required specifications along the way, has presented certain challenges to administering the CAT and warrants revisiting.[4]

The Commission therefore proposes herein to rescind Rule 613. Because the CAT is operational, and it would require a significant investment of time and resources to create a new audit trail that could replace it, the Commission has determined that it would not make economic or operational sense to eliminate or retire the CAT, even if aspects of the CAT could be improved or refined. For this reason, the Commission simultaneously proposes new Rule 17a-26, which would require the SROs and broker-dealers to record and electronically report substantially the same information that is currently required to be recorded and reported pursuant to Rule 613, the CAT NMS Plan, related SRO compliance rules, and related exemptive relief previously issued by the Commission. Proposed Rule 17a-26 would require that data to be reported to the Commission or its designee instead of to a CAT system independently administered by the Participants under a national market system plan.

The Commission also anticipates that additional steps would be needed to fully transition the CAT to the Commission's direct control, including: the sale and transfer of CAT assets and the establishment of new contractual arrangements to ensure operational continuity; the use of Congressionally appropriated funds to support the operation of the CAT; and the establishment of new advisory committees and/or working groups, as appropriate, to obtain feedback from market participants regarding the CAT.

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[4] The current Participants to the CAT NMS Plan include 24X National Exchange, BOX Exchange LLC, Cboe BYX Exchange, Inc., Cboe BZX Exchange, Inc., Cboe C2 Exchange, Inc., Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe Exchange, Inc., Financial Industry Regulatory Authority, Inc. ("FINRA"), Investors Exchange LLC, Long-Term Stock Exchange, Inc., MEMX LLC ("MEMX"), Miami International Securities Exchange LLC ("MIAX"), MIAX Emerald, LLC, MIAX PEARL, LLC, MIAX Sapphire, LLC, MX2 LLC, Nasdaq GEMX, LLC, Nasdaq ISE, LLC, Nasdaq MRX, LLC, Nasdaq PHLX LLC, The Nasdaq Stock Market LLC ("Nasdaq"), Nasdaq Texas, LLC, New York Stock Exchange LLC, NYSE American LLC, NYSE Arca, Inc., NYSE National, Inc., NYSE Texas, Inc, and Texas Stock Exchange LLC.

The approach proposed herein is designed to address the inefficiencies in the current governance structure for the CAT and to allow the Commission to assume direct control of the CAT, while ensuring the CAT's continued operation with minimal disruption.

II. Background

The Exchange Act, as amended,[5] tasks the Commission with overseeing the U.S. securities markets, including supervising certain market participants such as broker-dealers, national securities exchanges, and national securities associations.[6] The Exchange Act further provides that specified entities, including national securities exchanges and registered securities associations, fall within the definition of an SRO.[7] As an SRO, each national securities exchange and national securities association must comply, and enforce compliance by its members and associated persons, with the Exchange Act, the Commission's rules and regulations thereunder, and the SRO's own rules.[8]

Effective market oversight by the Commission and SROs relies on, among other things, access by regulatory users at the Commission and the SROs to sufficiently accurate, timely, and complete market data. Because the vast majority of securities transactions in modern markets occur electronically, at high speeds and volumes and across trading venues, cross-market audit trails and related data sources have come to play an important role in the oversight of securities markets. Such audit trails and related data sources aid regulators in conducting robust cross-

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5 15 U.S.C. 78a et seq.

6 See, e.g., 15 U.S.C. 78b, 78f, 78i, 78j, 78k, 78k-1, 78o, 78o-3, and 78s.

7 15 U.S.C. 78c(a)(26).

8 15 U.S.C. 78f(b)(1); 15 U.S.C. 78o-3(b)(2); 15 U.S.C. 78s(g)(1). The Financial Industry Regulatory Authority, Inc. ("FINRA") currently is the only national securities association. As a national securities association, FINRA is also responsible for enforcing compliance by its members and associated persons with the rules of the Municipal Securities Rulemaking Board ("MSRB").

market market surveillance, investigations, enforcement activities, and engaging in cross-market reconstructions and analyses, as appropriate.

Prior to the implementation of the CAT, the Commission and the SROs had to cobble together disparate market data from various audit trails and related data sources, including the Electronic Blue Sheet (or "EBS") system,[9] manual requests to market participants, daily reports produced by clearing agencies that provide aggregated information to the SROs and the Commission, market-specific matching engines and/or order book feeds, market-specific audit trails, precursor cross-market audit trails like the now-retired Order Audit Trail System ("OATS") and the Consolidated Options Audit Trail System ("COATS"),[10] trade reporting facilities, proprietary data feeds made available by SROs and/or off-exchange trading venues, and publicly-available consolidated data feeds provided by securities information processors. Each of these audit trails and related data sources was useful, but each was also limited in its scope and effectiveness.[11] Assembling a consolidated cross-market audit trail from these audit trails and related data sources was a cumbersome, complex, and time-consuming process that was prone to error.[12]

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9 See Securities Exchange Act Release No. 44494 (June 29, 2001), 66 FR 35836 (July 9, 2001).

10 See Securities Exchange Act Release No. 105251 (Apr. 16, 2026), 91 FR 20945, 20947 (Apr. 20, 2026) ("Concept Release") (discussing OATS and COATS).

11 See, e.g., Rule 613 Adopting Release, supra note 1, at 45722-23. See also Letter from Marcia E. Asquith, Corporate Secretary, EVP, Board and External Relations, FINRA, to Vanessa Countryman, Secretary, Commission (June 22, 2026), at 4, available at https://www.sec.gov/comments/S7-2026-12/s7202612-859759-2649426.pdf ("FINRA Letter") ("As the operator of the CAT's precursor, [OATS], FINRA has first-hand experience with the structural limitations that existed prior to CAT. While efforts were made to expand OATS and reduce disparate reporting requirements between the various SROs, OATS only directly received data from FINRA members with respect to orders and trades involving NMS stocks; OATS did not receive trade or order activity occurring on exchanges. Nor did OATS include exchange quotes, principal orders submitted by FINRA members registered as exchange market makers, or options data." (citations omitted)).

12 See, e.g., Concept Release, supra note 10, at 20947 n.13.

A. Rule 613 and the CAT NMS Plan

To improve the accuracy, completeness, accessibility, and timeliness of the data available to regulators, in 2012, the Commission adopted Rule 613 of Regulation NMS.[13] Rule 613 requires the SROs to jointly develop and submit to the Commission a national market system plan to create, implement, and maintain a consolidated audit trail to collect specified data from the SROs and their members and to provide access to such data to each SRO and the Commission "for the purpose of performing . . . regulatory and oversight responsibilities pursuant to the federal securities laws, rules, and regulations."[14] The rule further requires that each SRO be a sponsor of this national market system plan[15] and that the national market system plan "include a governance structure to ensure fair representation of the plan sponsors, and administration of the central repository, including the selection of the plan processor."[16] The national market system plan submitted by the Participants to fulfill the requirements of Rule 613—the CAT NMS Plan—was approved by the Commission in 2016.[17]

The CAT is intended to furnish both the Commission and the SROs with timely access to a comprehensive, uniform, accurate, and linked set of trading data that allows them to efficiently retrieve relevant information about the full lifecycle of all orders in NMS and OTC Equity

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13 See Rule 613 Adopting Release, supra note 1; 17 CFR 242.613.

14 17 CFR 242.613(a)(1), (c), (e)(1).

15 Id. at (a)(4).

16 Id. at (b)(1).

17 See CAT NMS Plan Approval Order, supra note 3.

Securities[18] across the markets and trading centers that compose the national market system.[19]

The core functionality of the CAT includes collecting data from both SROs and Industry Members[20] about the original receipt or origination of an order, the routing of an order and the receipt of an order that has been routed, executions, modifications, and cancellations.[21] The Plan Processor,[22] FINRA CAT, LLC ("FINRA CAT"), uses this data to "link and create the order lifecycle" using a "daisy chain approach," in which "a series of unique order identifiers, assigned to all order events handled by CAT Reporters[,] are linked together by the Central Repository[[23]] and assigned a single CAT generated CAT-Order-ID that is associated with each individual order event and used to create the complete lifecycle of an order."[24] In addition to this linked data, the

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18 An "NMS Security" means "any security or class of securities for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan, or an effective national market system plan for reporting transactions in Listed Options." An "OTC Equity Security" means "any equity security, other than an NMS Security, subject to prompt last sale reporting rules of a registered national securities association and reported to one of such association's equity trade reporting facilities." See CAT NMS Plan, supra note 3, at Section 1.1.

19 See, e.g., Rule 613 Adopting Release, supra note 1, at 45723, 45726.

20 See CAT NMS Plan, supra note 3, at Section 1.1 (defining "Industry Member" as "a member of a national securities exchange or a member of a national securities association").

21 Rule 613 and the CAT NMS Plan identify the information that must be reported by the SROs and the information that the SROs must obligate their members to report through compliance rules. See, e.g., 17 CFR 242.613(c)(7); CAT NMS Plan, supra note 3, at Sections 6.3-6.4. Further guidance about how to report to the CAT is provided by detailed technical specifications available on the CAT NMS Plan website. See https://catnmsplan.com/specifications/participants; https://catnmsplan.com/specifications/im.

22 "Plan Processor" means "the Initial Plan Processor or any other Person selected by the Operating Committee pursuant to SEC Rule 613 and Sections 4.3(b)(i) and 6.1, and with regard to the Initial Plan Processor, the Selection Plan, to perform the CAT processing functions required by SEC Rule 613 and set forth in this Agreement." See CAT NMS Plan, supra note 3, at Section 1.1; see also id. (defining "Operating Committee" as "the governing body of the Company designated as such and described in Article IV").

23 "Central Repository" means "the repository responsible for the receipt, consolidation, and retention of all information reported to the CAT pursuant to SEC Rule 613 and this Agreement." Id. at Section 1.1.

24 Id. at Appendix D, Section 3. The "CAT-Order-ID" is "a unique order identifier or series of unique order identifiers that allows the central repository to efficiently and accurately link all reportable events for an order, and all orders that result from the aggregation or disaggregation of such order." See also 17 CFR 242.613(j)(1).

CAT is required to provide regulators with SIP Data.[25] Although the CAT no longer collects customer and account-level information pursuant to recent amendments to the CAT NMS Plan approved by the Commission,[26] the CAT's architecture of identifiers and lifecycle linkage enables regulators with a specific regulatory purpose to analyze a particular customer's trading activity for Eligible Securities[27] across markets, brokers, and/or accounts through generation of a CAT Customer ID ("CCID").[28] This transactional data may only be associated with customer and account-level information if such information is obtained separately from Industry Members.[29]

B. Feedback Received in Response to the Concept Release

On April 16, 2026, the Commission issued a Concept Release on Consolidated Audit Trail and Other Audit Trails and Data Sources (the "Concept Release") describing various developments with respect to the CAT since the Commission's approval of the CAT NMS Plan in 2016. The Concept Release sought feedback regarding whether changes should be made to the CAT's structure, scope, functionality, and security, including changes that would strike a

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25 "SIP Data" means: "(A) information, including the size and quote condition, on quotes including the National Best Bid and National Best offer for each NMS Security; (B) last sale reports and transaction reports reported pursuant to an effective transaction reporting plan filed with the SEC pursuant to, and meeting the requirements of, SEC Rules 601 and 608; (C) trading halts, Limit Up/Limit Down price bands, and Limit Up/Limit Down indicators; and (D) summary data or reports described in the specifications for each of the SIPs and disseminated by the respective SIP." See CAT NMS Plan, supra note 3, at Section 6.5(a)(ii); see also 17 CFR 242.613(e)(7).

26 See Securities Exchange Act Release No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16, 2026); Securities Exchange Act Release No. 105107 (Mar. 27, 2026), 91 FR 16284, 16307 (Apr. 1, 2026).

27 "Eligible Security" includes "(a) all NMS Securities and (b) all OTC Equity Securities." See CAT NMS Plan, supra note 3, at Section 1.1; see also note 18 supra.

28 "CCID" has "the same meaning provided in SEC Rule 613(j)(5)." See CAT NMS Plan, supra note 3, at Section 1.1; see also 17 CFR 242.613(j)(5) ("The term **Customer-ID** shall mean, with respect to a customer, a code that uniquely and consistently identifies such customer for purposes of providing data to the central repository.").

29 See, e.g., Concept Release, supra note 10, at 20961.

different balance between privacy considerations and regulatory need.[30]

1. Necessity of the CAT

The Concept Release asked commenters to consider whether the CAT is necessary to enable the Commission and the SROs to fulfill their statutory obligations and/or whether any other audit trails and related data sources are sufficient for those purposes.[31]

In response, the SROs stated that continued access to the data provided by the CAT is essential to their regulatory programs and should be maintained, at least in some form.[32] One SRO commenter in particular stated that "the need for a consolidated audit trail to facilitate cross-market oversight by regulators has never been more acute," given the "unprecedented speed and complexity" of today's U.S. securities markets—which now include 29 registered national securities exchanges, more than 40 alternative trading systems, and hundreds of broker-

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30 See, e.g., id. at 20946-49.

31 Id. at 20950-51.

32 See Letter from Jeffrey S. Davis, Senior Vice President, General Counsel, Nasdaq, to Vanessa Countryman, Secretary, Commission (June 23, 2026), at 2, available at https://www.sec.gov/comments/S7-2026-12/s7202612-868292-2668936.pdf ("Nasdaq Letter I") (stating that the CAT "is critical to Nasdaq's provision of high-quality SRO regulation" and that CAT data is embedded into "every aspect of its regulatory program, from surveillance patterns to regulatory alerts to enforcement actions that protect everyday investors"); Letter from Jaime Klima, General Counsel, and Tony Frouge, Chief Regulatory officer, NYSE Group ("NYSE"), to Hon. Paul Atkins, Chairman, Commission (June 22, 2026), at 2, available at https://www.sec.gov/comments/S7-2026-12/s7202612-859219-2647946.pdf ("NYSE Letter I") ("Thus, without the CAT, the NYSE Exchanges' ability to satisfy their obligations to conduct basic market surveillance, identify parties responsible for manipulative trading, and prevent systemic abuses would be significantly impeded."); Letter from Adrian Griffiths, Head of Market Structure, MEMX, to Vanessa Countryman, Secretary, Commission (June 22, 2026), at 1-2, available at https://www.sec.gov/comments/S7-2026-12/s7202612-859699-2649246.pdf ("MEMX Letter") (stating that "continued access" to the CAT "is necessary for the functioning of a fair, orderly, and well-regulated market," noting that it relied on CAT data in order to fulfill its obligations as an SRO); Letter from Patrick Sexton, EVP, General Counsel, and Corporate Secretary, and Greg Hoogasian, EVP, Chief Regulatory Officer, Cboe Global Markets, Inc. ("Cboe"), to Vanessa Countryman, Secretary, Commission (June 22, 2026), at 1, available at https://www.sec.gov/comments/S7-2026-12/s7202612-860419-2651836.pdf ("Cboe Letter") (stating that "the Cboe Exchanges and other SROs now rely on CAT Data to fulfill their statutory regulatory responsibilities"); Letter from Robert Walley, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 22, 2026), at 3, available at https://www.sec.gov/comments/S7-2026-12/s7202612-859379-2648516.pdf ("Participant Letter") ("Today, the Participants and the Commission rely on the CAT to conduct market oversight and have integrated CAT data into their market surveillance systems.").

dealers that provide liquidity in the over-the-counter market by executing customer orders out of their own inventory.[33]

Another SRO commenter stated that it uses the CAT to "identify potential fraud, market manipulation, or other violative behaviors that harm investors or disrupt the fair and orderly operation and integrity of the securities markets."[34] Another SRO commenter specified that it uses CAT Data[35] to oversee the covered markets for "market manipulation, fraud, or other proscribed, illicit trading activities, including potential layering, spoofing, insider trading, front running, or cross-product manipulation and to ensure compliance with best execution rules," as well as to "guide risk scoping and examinations of member firms, reducing the amount of data that [it] has to request from firms and making the process more efficient for [it] and its members."[36] A third SRO commenter stated that it uses CAT Data for disciplinary actions related to "disclosure failures, unauthorized trading in client accounts, violation of Commission and SRO anti-manipulation rules, failing to supervise reasonably for manipulative trading, failing to comply with SRO anti-money laundering rules, best execution failures, and a host of

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33 FINRA Letter, supra note 11, at 3-5. See also Letter from Jaime Klima, General Counsel, and Tony Frouge, Chief Regulatory officer, NYSE, to Hon. Paul Atkins, Chairman, Commission (Aug. 11, 2026), at 1, available at https://www.sec.gov/comments/S7-2026-12/s7202612-999199-3152326.pdf ("NYSE Letter II") ("In today's highly interconnected markets, the vast majority of securities transactions are executed electronically at extraordinary speeds and volumes across numerous trading venues. Market participants engaging in improper trading activity frequently do so across multiple venues, often deliberately seeking to avoid detection by fragmenting their activity among different market centers. Such conduct can be difficult to identify without a comprehensive view of trading activity and threatens both investors and the integrity of all exchanges. Accordingly, the NYSE Exchanges require full and equal access to the comprehensive audit trail available through the CAT to effectively fulfill their regulatory obligations under the Exchange Act." (citations omitted)).

34 NYSE Letter II, supra note 33, at 1.

35 "CAT Data" means "data derived from Participant Data, Industry Member Data, SIP Data, and such other data as the Operating Committee may designate as 'CAT Data' from time to time." See CAT NMS Plan, supra note 3, at Section 1.1.

36 FINRA Letter, supra note 11, at 4.

other conduct that threatens investors and the integrity of U.S. capital markets."[37] Multiple SRO commenters also stated that the CAT increases the efficiency of their regulatory programs, because CAT Data enables more targeted surveillance and/or examinations of their members and reduces the number and scope of informational requests that would otherwise be necessary, thus decreasing compliance burdens on broker-dealer members.[38]

Moreover, SRO commenters stated that there is no realistic or viable replacement for the CAT, because the SROs "decommissioned other systems"—like OATS—that "allowed for regulatory access and use of order and trade data that was not otherwise available," in reliance on the existence of the CAT.[39] Although other data sources are still available to regulators, SRO commenters indicated that these data sources should not be considered true replacements for the CAT. As one SRO commenter stated, "legacy audit trails and data sources, whether individually or collectively, do not provide the same cross-market, order-level lifecycle reconstruction functionality as the CAT," and "reconstructing trading activity from disaggregated systems has historically been time-consuming, error-prone, and operationally inefficient."[40] One SRO

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37 Nasdaq Letter I, supra note 32, at 2.

38 See FINRA Letter, supra note 11, at 4 (stating that CAT Data enables FINRA to "guide risk scoping and examinations of member firms, reducing the amount of data that FINRA has to request from firms and making the process more efficient for FINRA and its members"); Nasdaq Letter I, supra note 32, at 4-5 (stating that CAT Data enables Nasdaq to conduct "more targeted anti-manipulation surveillance" and "reduces compliance burdens on its broker-dealer members" by decreasing the number and scope of informational requests that would otherwise be necessary without CAT Data).

39 NYSE Letter I, supra note 32, at 2. See also Participant Letter, supra note 32, at 3 ("And, because [OATS] was retired in 2021, there is currently no realistic fallback to OATS or other substitute for the CAT."); Cboe Letter, supra note 32, at 1 ("Full access [to the CAT], in terms of scope and functionality, must be maintained because the Cboe Exchanges and other SROs now rely on CAT Data to fulfill their statutory regulatory responsibilities and, at the Commission's mandate, other legacy cross-market audit trails were phased out as CAT became operational."); Nasdaq Letter I, supra note 32, at 4 ("[T]he equity audit trail that preceded the CAT (OATS) was decommissioned several years ago. In short, no existing alternative to the CAT reasonably allows the Commission and SROs to effectively detect, investigate, and prosecute several forms of misconduct, including potential manipulation." (citations omitted)).

40 Nasdaq Letter I, supra note 32, at 4. See also Concept Release, supra note 10, at 20950 (discussing the other audit trails and related data sources that regulators use including publicly- and privately-available

commenter further stated that maintaining the CAT would be a better outcome than creating a new reporting regime to replace the CAT, given the expense and delay associated with that alternative.[41]

Many other commenters made similar arguments in favor of the CAT. Noting the complexity and fragmentation of modern U.S. securities markets, these commenters stated that regulators "need a comprehensive, accurate, and timely audit trail to reconstruct market events, investigate misconduct, detect manipulation, and enforce securities laws."[42] These commenters stressed the regulatory benefits provided by the CAT. One commenter, for example, stated that:

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market data); NYSE Letter I, supra note 32, at 2 ("[T]he other private and public sources of market data currently available cannot (even cumulatively) provide the information needed to create an audit trail that tracks an order through its entire lifecycle."); MEMX Letter, supra note 32, at 2 ("Critically, the CAT contains order and trade information across all markets and also provides unique identifiers for end-customers as well as other information that regulators would not be able to obtain without the CAT, or that may not be generally available in existing surveillance tools."); FINRA Letter, supra note 11, at 4-5 ("CAT substantially improves the cumbersome and costly process of collecting and processing separately developed data from disparate sources.").

41 See NYSE Letter II, supra note 33, at 4.

42 See, e.g., Comment from Garrett McPherson (June 9, 2026), available at https://www.sec.gov/comments/S7-2026-12/s7202612-807820-2457709.html ("McPherson Comment"). See also, e.g., Comment from Travis James Dennis Hoff (June 11, 2026), available at https://www.sec.gov/comments/S7-2026-12/s7202612-814799-2481786.html ("Hoff Comment") ("Today's financial markets are incredibly complex. Orders can move across multiple exchanges, trading venues, and market participants in fractions of a second. Regulators need a complete and accurate record of that activity if they are going to effectively monitor the markets, investigate misconduct, and protect investors."); Comment from Brandon Koehler (June 16, 2026), available at https://www.sec.gov/comments/S7-2026-12/s7202612-833919-2548571.html ("Koehler Comment") ("As markets have become increasingly fragmented and technologically sophisticated, regulators require a comprehensive view of trading activity to effectively oversee market participants and identify misconduct."); Comment from Shane Thrasher (June 9, 2026), available at https://www.sec.gov/comments/S7-2026-12/s7202612-2452713.htm ("Thrasher Comment") ("The reasons that justified CAT's creation remain valid today. Modern markets are more complex, more automated, and more interconnected than when Rule 613 was adopted."); Letter from Tim Sargent, CEO, CalcGuard Technologies, Inc., to Vanessa A. Countryman, Secretary, Commission (June 20, 2026), at 1, available at https://www.sec.gov/comments/S7-2026-12/s7202612-851919-2613995.pdf ("CalcGuard Letter") ("The CAT has materially advanced regulators' ability to reconstruct market activity and oversee increasingly complex and fragmented markets."); Comment from Andrew Vendrasco, Owner/Principal AV Data Management Consulting, Owner/Head Coach at Elevate Coaching (Apr. 16, 2026), available at https://www.sec.gov/comments/S7-2026-12/s7202612-2322298.htm ("Vendrasco Comment") ("Markets today are tightly coupled through algorithms, derivatives, and liquidity providers. A failure to observe these interactions holistically introduces systemic blind spots.").

> The continued operation of the CAT is particularly important for protecting retail investors. Individual investors often lack the resources and market access available to institutional participants and therefore rely on regulators to ensure markets operate fairly. CAT enhances regulators' ability to detect and investigate practices such as market manipulation, spoofing, layering, insider trading, and other abusive conduct that can harm investors and erode confidence in the markets. CAT also serves as an indispensable investigative and enforcement tool. By allowing regulators to reconstruct market events with precision, it significantly improves the speed and effectiveness of examinations, surveillance, and enforcement actions.[43]

Such commenters expressed concern that eliminating the CAT would create gaps in market surveillance or otherwise compromise regulation of the U.S. securities markets, despite the existence of other audit trails and related data sources.[44] Accordingly, these commenters

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[43] See Koehler Comment, supra note 42; see also, e.g., Letter from Tyler Gellasch, President and CEO, Healthy Markets Association, to Hon. Paul Atkins, Chairman, Commission (June 26, 2026), at 8, available at https://www.sec.gov/comments/S7-2026-12/s7202612-896080-2720269.pdf ("Healthy Markets Letter") ("Regulators and market participants rely upon a functional CAT. . . . Regulators are not the parties that are most dependent on a robust, useful CAT—market participants and the public are."); Comment from David B., Professor (Apr. 16, 2026), available at https://www.sec.gov/comments/S7-2026-12/s7202612-754307-2322694_0.html ("Regulators gain timely, accurate data for surveillance, reducing reliance on slow manual requests and enabling faster response to threats, which directly safeguards retail and institutional investors."); Vendrasco Comment, supra note 42 ("The Consolidated Audit Trail is a critical evolution in market oversight, aligning regulatory capabilities with the realities of modern electronic trading. It enhances transparency, strengthens legal enforceability, improves systemic risk monitoring, and most importantly, reinforces investor confidence in the fairness and integrity of U.S. markets."); Comment from Bill Mastin, CEO Cadient (Apr. 20, 2026), available at https://www.sec.gov/comments/S7-2026-12/s7202612-757547-2328674.html ("Mastin Comment") ("Retail and institutional investors alike need to know that regulators can identify who did what, when, across every venue. Shutting down CAT—or allowing it to atrophy—sends a chilling message that the era of robust market surveillance is ending. That perception alone could erode investor confidence in U.S. market integrity.").

[44] See, e.g., Koehler Comment, supra note 42 ("Without CAT, regulators would be forced to rely on fragmented and less comprehensive datasets, reducing their ability to identify wrongdoing and respond to emerging threats."); Vendrasco Comment, supra note 42 ("From a data architecture standpoint, this is not optional infrastructure—it is the minimum viable system required to supervise a highly distributed, high-frequency market. Without CAT, regulators are effectively operating with partial observability, increasing the probability of: [u]ndetected market manipulation (e.g., spoofing, layering)[,] [d]elayed enforcement actions[, and] [i]nconsistent regulatory outcomes[.]"); Thrasher Comment, supra note 42 ("Eliminating or significantly reducing CAT would remove an important tool that was specifically developed to address gaps in market surveillance."); McPherson Comment, supra note 42 ("Weakening [the CAT] would make it harder for regulators to understand what happened during periods of volatility, market stress, unusual volume, or suspected manipulation."); Hoff Comment, supra note 42 ("Removing or reducing CAT would make it harder for regulators to detect market manipulation, insider trading, spoofing, abusive trading practices, and other forms of misconduct. It would also make it more difficult to reconstruct major market events and determine what actually happened when unusual trading activity occurs."); Mastin Comment, supra note 43 ("Shutting down CAT without a proven replacement would leave regulators flying blind during the next market disruption . . . creating a surveillance gap that could last years."). See also, e.g., Letter from Nicholas Osmond to Vanessa Countryman, Secretary, Commission (Apr. 12, 2026), at 2,

encouraged the Commission to "retain CAT, continue improving its effectiveness, and ensure regulators have access to the data necessary to protect investors and maintain fair, orderly, and efficient markets."[45]

However, not all commenters agreed that the CAT is a necessary tool. Some commenters questioned the scope of the data collected by the CAT, including one who stated that certain data elements made available to regulators through the CAT "have never been necessary for the CAT to fulfill its core regulatory mission."[46] Several other commenters believed that legacy audit trails and related data sources would sufficiently support regulatory activity if the CAT were eliminated. One commenter, for instance, stated that the CAT "fails a test of necessity," because "[r]egulators reconstructed the 2010 Flash Crash—the event cited as the CAT's primary justification—before the CAT existed, using data sources available at the time to catch the responsible parties."[47] This specific example is contested by other commenters, though, who

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available at https://www.sec.gov/comments/S7-2026-12/s7202612-819019-2495384.pdf ("As CAT replaced OATS . . . eliminating CAT would eliminate the only available consolidated audit trail required by Rule 613; which was adopted for surveillance, investigations, analysis, and enforcement citing flash crashes, an on-going phenomenon."); Letter from Benjamin L. Schiffrin, Director of Securities Policy, Better Markets, Inc., to Vanessa A. Countryman, Secretary, Commission (June 22, 2026), at 2, available at https://www.sec.gov/comments/S7-2026-12/s7202612-858119-2645066.pdf ("Better Markets Letter") ("Without the CAT, it will be easier for financial firms to break the law and harder for the SEC to oversee the securities markets. This is especially so since FINRA retired its prior order tracking system after determining that the CAT was accurate and reliable. So eliminating the CAT would leave regulators blind.").

45 Thrasher Comment, supra note 42. See also, e.g., McPherson Comment, supra note 42 ("Please retain CAT, strengthen its safeguards, improve its cost accountability, and ensure regulators continue to have the tools needed to monitor complex modern markets."); Hoff Comment, supra note 42 (urging the Commission to "improve the system, not eliminate it").

46 Letter from Christopher A. Iacovella, President and CEO, American Securities Association, to Vanessa A. Countryman, Secretary, Commission (June 22, 2026), at 1, available at https://www.sec.gov/comments/S7-2026-12/s7202612-857619-2643308.pdf ("ASA Letter").

47 See Letter from Norbert Michel, Vice President and Director, and Christian Kruse, Research Associate, Center for Monetary and Financial Alternatives, Cato Institute, to Secretary, Commission (June 15, 2026), at 1, available at https://www.sec.gov/comments/S7-2026-12/s7202612-825019-2526406.pdf ("Cato Letter"). See also, e.g., Letter from Markham S. Chenoweth, President and Chief Legal Officer, et al., New Civil Liberties Alliance, to Vanessa A. Countryman, Secretary, Commission (June 18, 2026), at 2, available at https://www.sec.gov/comments/S7-2026-12/s7202612-843399-2584626.pdf ("New Civil Liberties

pointed out that the Flash Crash "exposed how little insight regulators had into who was doing what in the trading markets," because it "took nearly four and a half months for regulators to publish a report as to why the market crash occurred, and many of the details took years to unravel, despite easy-to-identify issues."[48] Additionally, some of the legacy audit trails that existed when regulators reconstructed the 2010 Flash Crash have been retired and are therefore not available to support regulatory activity if CAT were eliminated.[49]

After careful consideration of its own regulatory needs and the regulatory needs of the SROs, as well as consideration of the feedback received on the Concept Release, the Commission has determined that the core functionality provided by the CAT should be preserved. The regulatory need for a comprehensive and consolidated cross-market audit trail has not abated since Rule 613 was adopted or since the CAT NMS Plan was approved.[50] Moreover, the CAT is operational, and it would require a significant investment of time and

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Alliance Letter") (stating that the CAT's "surveillance scheme is not necessary," because regulators have other tools to obtain market data).

48 See Healthy Markets Letter, supra note 43, at 2-3. See also Better Markets Letter, supra note 44, at 1 ("The impetus for the CAT was the 2010 'Flash Crash' . . . Neither the SEC nor other regulators understood this event, and it took the SEC months to reconstruct what had happened, largely because it had neither the tools nor the data to do so."); Rule 613 Adopting Release, supra note 1, at 45733 ("Ultimately, it took Commission staff nearly five months to complete an accurate representation of the order books of the equity markets for May 6, 2010. Even then, the reconstruction was not fully complete and only contained an estimated 90% of trade and order activity for that day.").

49 In 2011, with FINRA's expansion of its OATS requirement to all NMS stocks, including NYSE-listed securities, the NYSE exchanges retired their Order Tracking System (OTS). See Securities Exchange Act Release No. 65523 (Oct. 7, 2011), 76 FR 64154 (Oct. 17, 2011) (SR-NYSE-2011-49), available at https://www.sec.gov/files/rules/sro/nyse/2011/34-65523.pdf. Additionally, following implementation of CAT, in 2021, FINRA retired OATS. See Securities Exchange Act Release No. 92239 (June 23, 2021), 86 FR 34293 (June 29. 2021) (SR-FINRA-2021-017).

50 The Commission has long recognized that the volume, speed, and dispersed nature of securities trading make having a comprehensive order audit trail with centralized and electronically accessible order information critical to effective oversight of the securities markets. See, e.g., Report Pursuant to Section 21(a) of the Securities Exchange Act of 1934 Regarding the NASD and the Nasdaq Market, Commission (Aug. 8, 1996), available at https://www.sec.gov/files/litigation/investreport/nd21a-report.pdf. For further discussion of how other audit trails and related data sources are limited in their scope and effectiveness, and the need for a consolidated audit trail, see Rule 613 Adopting Release, supra note 1, at 45726-34. See also Securities Exchange Act Release No. 62174 (May 26, 2010), 75 FR 32556, 32556-68 (June 8, 2010).

resources to create a new audit trail or data source that could replace it.

The CAT enables the Commission and the SROs to protect investors and to maintain fair, orderly, and efficient markets by making it possible for regulators to conduct market oversight, including cross-market surveillance, investigations, and enforcement activities, as well as cross-market reconstructions and analyses where appropriate. Examples of Commission use cases include, but are not limited, to:

- Surveilling and investigating various forms of abusive, fraudulent, and manipulative trading activity, including insider trading, front-running, cherry-picking, and manipulative trading;
- Identifying potential unsuitable sales activity;
- Evaluating tips and complaints;
- Facilitating risk-based reviews of SEC registrants and targeting potentially higher-risk activity during examinations—for example, by establishing baselines and standard trading behavior of SEC registrants and by identifying anomalous activity that may warrant further examination, such as atypical liquidation patterns, concentrations of daily trading volume, abnormal trading imbalances, unusual profit and loss patterns, or irregular transaction pricing;
- Testing and validating representations made by SEC registrants;
- Identifying and measuring costs to market participants affected by a market disruption;
- Conducting studies of market structure, market activities, usage of order types, and/or behavior of market participants;
- Assessing the impact of potential and implemented regulatory changes—for example, by performing data analyses using CAT Data in support of rulemaking to inform both policy

decisions and economic analyses; and

- Investigating or analyzing current market events.[51]

Access to CAT Data improves regulators' ability to perform reconstruction of market events and to conduct market analysis and research to inform policy decisions, as well as to perform other regulatory activities, in particular market surveillance, examinations, investigations, and enforcement functions. The CAT allows the Commission to link suspicious trading activity to unique market participants and to more efficiently identify and investigate violative behavior in the markets. It is an integral part of the Commission's toolkit for overseeing the U.S. securities markets, facilitating more effective surveillance, investigation, enforcement, and market analysis and thereby reducing potential harm to investors. Without it, the ability of the Commission to protect investors and to maintain fair, orderly, and efficient markets would be significantly diminished.[52] The Commission therefore has determined that it would not make sense to eliminate or retire the CAT, even if aspects of the CAT could be improved or refined.

2. CAT Governance and Funding Model

In addition to setting forth performance requirements[53] for the CAT System[54] and data reporting requirements for the Participants and their members, the CAT NMS Plan functions as the agreement of the limited liability company formed under Delaware State law through which

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51 For further discussion of SRO use cases, see notes 34-38 and associated text supra.

52 The comprehensive, accurate, and timely-reported data available through the CAT is not readily accessible in a consolidated format through other sources. See notes 39-41 and associated text supra.

53 The term "performance requirements" refers to CAT NMS Plan requirements regarding the specific operational standards that the CAT System is required to meet. See, e.g., CAT NMS Plan, supra note 17, at Appendix D.

54 "CAT System" means "all data processing equipment, communications facilities, and other facilities, including equipment, utilized by the Company or any third parties acting on the Company's behalf in connection with operation of the CAT and any related information or relevant systems pursuant to this Agreement." See CAT NMS Plan, supra note 3, at Section 1.1.

the Participants conduct the activities of the CAT—Consolidated Audit Trail, LLC ("CAT LLC" or the "Company").[55] Each Participant jointly owns the Company on an equal basis,[56] with each Participant having one vote on the operating committee that acts as CAT LLC's governing body ("Operating Committee").[57] An Advisory Committee made up of industry representatives and academic participants counsels the Operating Committee, but its members are not entitled to a vote on decisions made by the Operating Committee.[58]

CAT LLC has contracted with FINRA CAT, a wholly-owned subsidiary of FINRA, to serve as the Plan Processor that operates the CAT. In this role, and subject to the approval and oversight of the Operating Committee, FINRA CAT performs several functions, including: developing and maintaining technological solutions, platforms, and/or licenses to facilitate the reporting, validation, processing, linkage, storage, and regulatory use of CAT Data; developing and maintaining technical specifications that govern CAT reporting; engaging with working groups to solicit and respond to feedback from Participants, members of the Advisory Committee, and Commission observers; developing and maintaining a comprehensive information security program for the CAT to implement, among other things, access and user controls, monitoring for anomalous use, penetration testing, and an audit program, and FINRA CAT review of Participant policies and procedures regarding CAT Data; providing various reports and/or written assessments to the Participants and the Commission on the CAT System's

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55 See Securities Exchange Act Release No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

56 See CAT NMS Plan, supra note 3, at Recital B and Section 3.2.

57 See id. at Section 4.1; see also id. at Section 4.2(a) (stating that one voting member may have the right to vote on behalf of multiple affiliated SROs and that an alternate voting member representing each SRO shall have a right to vote in the absence of that SRO's voting member).

58 Id. at Section 4.13(a); see also 17 CFR 242.613(b)(7).

performance and compliance by CAT Reporters;[59] and operating a help desk for CAT Reporters and regulators. Many of these Plan Processor obligations are set forth in the CAT NMS Plan, but it is ultimately CAT LLC's obligation to ensure—through its contractual relationship with FINRA CAT—that the Plan Processor is complying with the CAT NMS Plan.

The CAT is currently funded by both SROs and Industry Members, in accordance with a funding model recently approved by the Commission (the "2026 Funding Model").[60] The 2026 Funding Model is based on executed equivalent share volumes of transactions in Eligible Securities. Fees are paid evenly by the SROs, executing brokers representing buyers, and executing brokers representing sellers.[61] Pursuant to this funding model, no Participant may file with the Commission a proposed rule change under Section 19(b) of the Exchange Act[62] and Rule 19b-4[63] thereunder that would establish a new fee for directly passing through to its members the CAT fee charged to such Participant.[64] The 2026 Funding Model also includes a sunset provision, stating that the Plan Processor and the Participants will not be permitted to bill or otherwise request CAT fees from Industry Members after March 31, 2028. In the approval order for the 2026 Funding Model, the Commission explained that it would be premature to adopt a permanent funding model while engaged in a comprehensive review of the CAT and that ensuring the continued funding of the CAT during this interim period would avoid potential

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59 "CAT Reporter" means "each national securities exchange, national securities association and Industry Member that is required to record and report information to the Central Repository pursuant to SEC Rule 613(c)." CAT NMS Plan, supra note 3, at Section 1.1.

60 See Securities Exchange Act Release No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 19, 2026) ("2026 Funding Model Order").

61 See id.

62 15 U.S.C. 78s(b).

63 17 CFR 240.19b-4.

64 See, e.g., 2026 Funding Model Order, supra note 60, at 13412-13.

destabilization.[65]

Market participants have repeatedly raised concerns regarding the governance and funding structure imposed by the CAT NMS Plan, including in response to the Concept Release. Some commenters on the Concept Release, for example, have stated that the voting structure of the CAT NMS Plan, which allocates one vote to each Participant, has made it difficult for the Participants to efficiently govern the CAT. As one such commenter stated:

> While the SROs nominally govern the CAT through the CAT Operating Committee, it does not appear that they have embraced this responsibility or that they can manage it through the NMS plan structure . . . evidenced by the SROs' inability to unanimously agree on major CAT decisions, including the latest CAT funding model, which is a critical piece to make the CAT function.[66]

Other commenters identified a separate problem with the CAT NMS Plan's voting structure. Because each Participant is entitled to one vote on the Operating Committee, these commenters stated that "large exchange families that operate multiple exchanges (such as Intercontinental Exchange, [MIAX,] Nasdaq, and Cboe) can aggregate their votes," resulting in "voting dynamics that may favor some Participants at the expense of the broader market."[67]

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65 Id. at 13412-14. See, e.g., Concept Release, supra note 10; 2026 Funding Model Order, supra note 60, at 13412.

66 See Letter from Kenneth E. Bentsen Jr., President & CEO, Securities Industry and Financial Markets Association ("SIFMA"), to Vanessa A. Countryman, Secretary, Commission (June 22, 2026), at 6, available at https://www.sec.gov/comments/S7-2026-12/s7202612-859601-2649095.pdf ("SIFMA Letter"). See also, e.g., Healthy Markets Letter, supra note 43, at 11 ("Exchanges are often fierce competitors, and often have very different perspectives and business models. Consensus in this setting may be illusive."); Letter from Kevin Skarbek, Chairman, and James Toes, President and CEO, Security Traders Association, to Vanessa Countryman, Secretary, Commission (June 22, 2026), at 2, available at https://www.sec.gov/comments/S7-2026-12/s7202612-862239-2659701.pdf ("STA Letter"); Letter from Kelvin To, Founder and President, Data Boiler Technologies, LLC, to Vanessa Countryman, Secretary, Commission (June 22, 2026), at 14, available at https://www.sec.gov/comments/S7-2026-12/s7202612-865207-2665219.pdf ("Data Boiler Letter") ("Modern exchanges are publicly traded corporations trying to maximize trade volumes. Giving a committee of for-profit competitors the joint duty to manage a public surveillance utility turns the CAT into a politicized battleground over funding models, rather than a neutral, agile data tool.").

67 See Letter from Matt Billings, President, Robinhood Financial LLC and Robinhood Securities, LLC, to Vanessa A. Countryman, Secretary, Commission (June 24, 2026), at 8, available at https://www.sec.gov/comments/S7-2026-12/s7202612-883899-2689254.pdf ("Robinhood Letter"). See

In addition, some commenters suggested that Commission oversight of Rule 613 and the CAT NMS Plan has further complicated governance of the CAT, insofar as Commission rule-making "prescribed the CAT's core reporting architecture" and subjected the CAT to "Commission approval and oversight under Rule 608," including review and approval of any proposed amendments to the CAT NMS Plan.[68] According to commenters, the "equal-voting requirement and the necessity of formal NMS Plan amendments have resulted in persistent protracted decision-making, delayed implementation, cost inefficiencies, and an inability to

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also, e.g., SIFMA Letter, supra note 66, at 6 ("FINRA has only one vote on the CAT Operating Committee (out of 28 current SROs). This is the case even though FINRA pays the largest share of the SROs' portion of CAT costs, it conducts most if not all of the SROs' cross-market surveillance of these markets, and it conducts all regulatory functions of many of the exchanges, all of which are for-profit now and most of which have outsourced their regulatory functions to FINRA."); Letter from Steffen N. Johsnon, Wilson Sonsini Goodrich & Rosati P.C., to Vanessa Countryman, Secretary, Commission (Oct. 17, 2025), at 16, available at https://www.sec.gov/comments/4-698/4698-670027-2019234.pdf ("FINRA has repeatedly questioned the voting structure that governs the CAT NMS Plan, which allows large voting blocks for affiliated exchanges to impose costs on other SROs. At present, four blocks of affiliated exchanges together represent 21 out of 27 votes, resulting in voting dynamics that are susceptible to outcomes that favor some Participants at the expense of the broader securities industry." (citations omitted)); Comment from James R. Cochrane, President and CEO, Navigator-FX Solutions LLC (June 12, 2026), at 4, available at https://www.sec.gov/comments/S7-2026-12/s7202612-818239-2493207.pdf ("Equal ownership does not produce equal governance in practice: four affiliated exchange families, Cboe with 7 venues, Nasdaq with 6, NYSE with 5, and MIAX with 4, hold 22 of 27 votes and share common ownership, management, and economic interests across their affiliated venue subsidiaries. The entities responsible for generating the event volume that drives CAT's cost hold an effective supermajority over every budget, scope, and governance decision."); Letter from Rohan Sharma, Aspen Institute Civic AI Leader, U.S. Delegate to ISO/IEC (SC42), OECD AI Expert-Risk & Accountability, to Secretary, Commission (May 7, 2026), at 3, available at https://www.sec.gov/comments/S7-2026-12/s7202612-770547-2360154.pdf ("Sharma Letter") ("An affiliated SRO group wielding a built-in supermajority block can effectively insulate itself from cost-containment measures and override Advisory Committee recommendations, shifting financial burdens downstream to Industry Members without adequate procedural checks.").

68 See SIFMA Letter, supra note 66, at 5-6. See also, e.g., STA Letter, supra note 66, at 2; Nasdaq Letter I, supra note 32, at 5 ("One the one hand, under the current CAT NMS Plan framework, the SROs jointly own the CAT LLC, appoint the Operating Committee, and bear significant responsibility for governance and funding. At the same time, Commission Staff control the interpretation of SEC Rule 613 and the CAT Plan, and they are among the primary regulatory users—if not the largest user—of CAT Data, accessing the CAT for surveillance, investigations, examinations, and market analysis."); Participant Letter, supra note 32 (stating that the "Participants and the SEC have, at times, strongly disagreed on what is required under the Plan and how to implement the CAT in the most efficient and cost-effective manner," leading to delays and litigation).

respond efficiently to demonstrated regulatory needs."[69]

Some commenters stated that the governance and funding structure of the CAT has created misaligned incentives, directly contributing to ongoing concerns regarding CAT cost management.[70] Although the Participants own, operate, and use the CAT, these commenters stated that the Commission "is the biggest beneficiary of the CAT and effectively controls it," even though the Commission "is not responsible for any of the CAT's costs."[71] These commenters further stated that "the parties that pay the vast majority of CAT costs, Industry Members and investors, have no say in the direct governance of the CAT."[72] These commenters

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69 See STA Letter, supra note 66, at 2. See also, e.g., SIFMA Letter, supra note 66, at 5-6; FINRA Letter, supra note 11, at 5 ("Experience has shown that audit trails benefit from clear direction and prompt operational decision-making, including with regard to technology changes and updates to technical specifications and interpretations to accommodate complex and evolving trading and routing strategies and other market developments. The CAT NMS Plan governance structure, with its disparate and inequitable voting structure, frequently has failed to produce these benefits." (citations omitted)); Healthy Markets Letter, supra note 43, at 11 ("As a result [of] the Commission's decision to implement the CAT through a NMS Plan structure, the project was doomed to be delayed, unnecessarily costly, substantively insufficient, and risky from the start.").

70 See, e.g., SIFMA Letter, supra note 66, at 5-7; Robinhood Letter, supra note 67, at 6-7; Letter from John L. Thornton, Co-Chair, et al., Committee on Capital Markets Regulation, to Vanessa A. Countryman, Secretary, Commission (June 22, 2026), at 3, available at https://www.sec.gov/comments/S7-2026-12/s7202612-860379-2651538.pdf ("Committee Letter"); Letter from Jennifer W. Han, Chief Legal Officer & Head of Global Regulatory Affairs, Managed Funds Association, to Vanessa Countryman, Secretary, Commission (June 22, 2026), at 2-3, available at https://www.sec.gov/comments/S7-2026-12/s7202612-858239-2645433.pdf ("MFA Letter").

71 See SIFMA Letter, supra note 66, at 6; see also, e.g., Robinhood Letter, supra note 67, at 6 ("The Commission is the primary beneficiary and de facto controller of the CAT. It created the system, approves the fees that fund it, and uses it extensively for surveillance, enforcement, and rulemaking. The Commission should also bear the costs.").

72 SIFMA Letter, supra note 66, at 7. See also, e.g., Robinhood Letter, supra note 67, at 2 (urging the Commission to reform governance to give Industry Members a "Genuine Voice"); MFA Letter, supra note 70, at 3 ("[SROs] play a central role in determining how CAT costs are allocated while those costs are borne largely by broker-dealers and investors. At the same time, market participants that ultimately bear these costs have limited participation in CAT governance, and there are limited independent mechanisms to assess whether CAT costs are reasonable."). Although such commenters suggested that the 2026 Funding Model permitted the SROs to pass 100% of CAT costs to Industry Members—see, e.g., SIFMA Letter, supra note 66, at 7—the Commission has made no finding that it would be permissible for any Participant to recover its share of CAT costs from its members. In addition to various other legal and practical obstacles to doing so, any such attempt to recover costs indirectly through fee increases would be subject to the Section 19(b) fee filing process. See 2026 Funding Model Order, supra note 60, at 13413, 13441, 13467, 13475, 13479.

expressed concern that a "separation between cost responsibility and decision-making authority reduces incentives for cost discipline and increases the risk of continued cost growth."[73]

When the Commission promulgated Rule 613, it stated that the "creation, implementation, and maintenance of the consolidated audit trail through an NMS Plan [would] ensure that the SROs' expertise as the 'front line' regulators of securities markets is drawn upon to develop the details of the consolidated audit trail, and to make appropriate adjustments as warranted to respond to changes in the securities markets and technology going forward."[74] Some commenters, including FINRA, raised concerns at that time regarding the difficulty and inefficiency of jointly implementing and governing the CAT through a national market system plan, particularly given the need for an audit trail to respond and adapt quickly to new ways of trading and handling orders.[75] However, the Commission determined at that time that (i) Rule 613 would give the SROs sufficient flexibility to accommodate a variety of technological and other market developments without formally amending the CAT NMS Plan; and that (ii) the requirements set forth in Rule 613 would result in a "governance structure . . . that is designed to ensure efficient decision-making."[76] The Commission subsequently approved the governance structure set forth in the CAT NMS Plan, finding that it was "similar to the governance structure used today by other NMS plans, and . . . reasonably designed to allow the Participants to fulfill

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73 MFA Letter, supra note 70, at 3. See also, e.g., SIFMA Letter, supra note 66, at 7 ("In SIFMA's view, we are left with a scenario in which the incentives to run the CAT in an efficient and cost-effective manner are misaligned."); Committee Letter, supra note 70, at 3 ("However, under the CAT's current funding model, the SROs that propose the CAT's budget do not bear most of its costs. Furthermore, the SEC does not bear any of its costs. This misalignment weakens incentives to control costs and ultimately increases costs for investors, who bear these costs through higher transaction and compliance expenses.")

74 See Rule 613 Adopting Release, supra note 1, at 45741.

75 Id.

76 Id. at 45742.

their regulatory obligations, and, at the same time, provide an opportunity for meaningful input from the industry and other stakeholders."[77]

The Commission agrees with commenters that, since being put into effect over the last 10 years, the governance structure of the CAT NMS Plan has presented certain challenges to administering the CAT and warrants revisiting. In particular, it can be difficult for the Participants to achieve consensus on some matters; the voting structure of the CAT NMS Plan, where each Participant receives one vote, allows for voting blocs of affiliated exchange groups—a governance structure that can reduce or alter incentives for voting blocs to negotiate to find a compromise solution. Further, the available mechanisms for resolving disagreements regarding the implementation and/or operation of a national market system plan can prolong decision-making processes and impose burdens on the Commission, the SROs, and Industry Members. For example, the Commission does not have a vote on the Operating Committee, does not operate the CAT System, and does not establish, maintain, or enforce contracts with key vendors like the Plan Processor. While the Commission can exercise its statutory powers to oversee the Participants' implementation and operation of the CAT and to monitor for compliance with Rule 608,[78] Rule 613, and the CAT NMS Plan, this multi-layered structure has proven to be less conducive than expected for efficient governance of a complex and evolving technology project like the CAT.

Similarly, questions about funding the CAT remain a subject of active dispute between the Commission, the Participants, Industry Members and other market participants. The proposed transition to using appropriated funds to pay for the Commission's costs related to use,

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77 See CAT NMS Plan Approval Order, supra note 3, at 84729.

78 17 CFR 242.608 ("Filing and amendment of national market system plans.").

operation, and maintenance of the CAT system would provide a defined, long-term funding solution, promote cost management discipline, and help to prevent the kind of disputes that have long been associated with CAT funding matters.

C. Proposal to Restructure the Governance and Funding of the CAT

The Commission proposes to implement several changes to the current governance and funding structure of the CAT, including the two rulemaking changes proposed herein: (1) the rescission of Rule 613; and (2) the implementation of new Rule 17a-26, which would substantially maintain current CAT data reporting requirements, except that data would be reported to the Commission or its designee (the "Proposal").

To fully enable a transition to the new governance and funding structure, the Commission further anticipates additional steps would be needed outside the context of the rulemaking proposed herein, including: (3) the rescission of the CAT NMS Plan and related SRO compliance rules; (4) the sale and transfer of CAT LLC and/or FINRA CAT assets and the establishment of a contract between the Commission and its designee (the "Designee") for the maintenance and operation of the CAT System; (5) the use of Congressionally appropriated funds to support the operation of CAT;[79] and (6) the establishment of advisory committees and/or working groups, as appropriate, to obtain feedback from market participants regarding the ongoing operation of the CAT System (collectively, with the Proposal, the "Implementation Steps").

The Commission is proposing these changes because it believes that, as compared to the CAT's current governance and funding structure, there are a number of policy benefits to providing the Commission with direct control of the CAT and using appropriated funds to

[79] 15 U.S.C. 78ee; see also 17 CFR 240.31.

support its maintenance and operation. Rescinding Rule 613 would enable the Participants to eliminate the diffuse ownership structure required by the CAT NMS Plan and thereby address the inefficiencies in the current governance structure. The Proposal would further give the Commission direct control over CAT reporting requirements through proposed Rule 17a-26. In addition, the Implementation Steps would give the Commission direct control over CAT performance requirements. Decision-making authority would be significantly more concentrated than it is today, which would address inefficiencies relating to administration of a complex market-wide evolving technology system like the CAT through a decentralized governance structure. Moreover, the proposed use of appropriated funds to support the operation of CAT would establish a permanent and defined funding solution for the CAT, further incentivize cost management discipline, and help to avoid the recurrence of certain long-standing disputes amongst the Participants and Industry Members in the future.

To ensure that there are no disruptions or gaps with respect to ongoing CAT reporting by Participants and Industry Members or to ongoing usage of CAT Data by regulators, the Commission further anticipates that the above-described changes would be implemented in a manner that aligns the effective dates for the rescission of Rule 613 and the rescission of the CAT NMS Plan and any related SRO compliance rules with the effective dates for Rule 17a-26, the completed transfer of CAT LLC and/or FINRA CAT assets, and any contract between the Commission and the Designee for the operation of the CAT.

In developing this Proposal, the Commission carefully considered the comments received on the Concept Release. Each aspect of the Implementation Steps is discussed further below, including issues that would need to be resolved before the Implementation Steps could be taken. The Commission solicits comment on each aspect of the Implementation Steps through a number

of general and specific questions, and the Commission also welcomes comments on any other aspects of the Implementation Steps, particularly on any costs, burdens, or benefits that may result from the Implementation Steps.

1. Rescind Rule 613

Rule 613 instructs each national securities exchange and national securities association to jointly submit to the Commission "a national market system plan to govern the creation, implementation, and maintenance of a consolidated audit trail and central repository" in accordance with the procedures set forth in Rule 608.[80] To facilitate a transition to a more centralized governance and funding model, the Commission proposes to rescind Rule 613 in its entirety.[81]

2. Implement a New Reporting Rule

The Commission has determined that the core regulatory functionality provided by the CAT must be preserved. The Commission therefore also proposes a new reporting rule, Rule 17a-26, to replace Rule 613. This rule, as proposed herein, would substantially maintain current CAT data reporting requirements set forth in Rule 613, the CAT NMS Plan, and related SRO compliance rules, including as modified by exemptive relief previously issued by the Commission,[82] except that proposed Rule 17a-26 would require data to be reported to the Commission or the Designee instead of to the Central Repository maintained by CAT LLC pursuant to the CAT NMS Plan. This approach is designed to minimize disruptions to ongoing

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80 See 17 CFR 242.613(a)(1)-(2); 17 CFR 242.608.

81 See Part III infra for further discussion of the Commission's proposal to rescind Rule 613 and request for comment.

82 The proposed rule would codify all active exemptive relief related to reporting requirements that was previously provided by the Commission with certain changes being made to permanently codify certain time-limited relief as discussed further in Part IV.

CAT reporting and/or regulatory use while the governance and funding model of the CAT is restructured.

This general approach is supported by comments received on the Concept Release, which explicitly urge the Commission to promulgate its own reporting rule that leverages existing requirements from Rule 613 and/or the CAT NMS Plan.[83] One SRO commenter, for example, stated that having the Commission take direct responsibility for the CAT would "improve and streamline CAT operations, rather than subjecting decisions to complex SRO group negotiations and a 28-member CAT NMS Plan voting structure," as well as "reduce the need for costly consultants and advisors."[84] Other commenters stated that Commission control of the CAT's governance would better align regulatory need, cost responsibility, and decision-making authority.[85]

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83 See, e.g., FINRA Letter, supra note 11, at 6-8 ("FINRA recommends that the SEC adopt its own audit trail reporting rule with direct requirements on SRO and industry member reporters (in lieu of the current Regulation NMS Rule 613, which could be eliminated as soon as practicable following a transition period away from the NMS Plan framework)."); SIFMA Letter, supra note 66, at 7-11 (urging the Commission to "eliminate the NMS plan structure governing the CAT (i.e., the CAT NMS Plan) and amend Rule 613 to make the CAT a fully Commission-controlled system"); Letter from Stephen John Berger, Managing Director, Global Head of Government & Regulatory Policy, Citadel Securities, to Vanessa A. Countryman, Secretary, Commission (June 22, 2026), at 4, available at https://www.sec.gov/comments/S7-2026-12/s7202612-860099-2650652.pdf ("Citadel Letter") (urging the Commission to "amend[] Rule 613 to eliminate the requirement that the CAT be operated as an SRO-governed NMS plan, and instead set[] forth all of the associated regulatory requirements in Commission rules," such that the CAT NMS Plan could be retired and the Commission assume control of the system); Letter from Joanna Mallers, Secretary, PTG, to Vanessa A. Countryman, Secretary, Commission (June 22, 2026), at 2, available at https://www.sec.gov/comments/S7-2026-12/s7202612-858001-2644690.pdf ("PTG Letter") ("Beyond Commission funding of the CAT, the Commission should seek to transition the CAT structure and governance from the CAT NMS Plan Structure to a CAT Commission rule.").

84 See FINRA Letter, supra note 11, at 6. See also, e.g., MEMX Letter, supra note 32, at 3-4 (expressing "support for the Commission taking over direct responsibility for the CAT . . . rather than exerting control indirectly through its oversight of the SROs on the Plan's operating committee").

85 See, e.g., STA Letter, supra note 66, at 3 ("Direct Commission ownership and operation of the CAT, funded through Section 31 fees, would better align the system with the statutory objectives of the Exchange Act and Rule 613. First, such a structure would eliminate the conflicts of interest and governance inefficiencies inherent in joint SRO ownership and control. Decision-making authority would reside with the entity ultimately responsible for market oversight, thereby facilitating more timely and coherent determinations regarding scope, functionality, data retention, and technological enhancements."); PTG Letter, supra note 83, at 2 ("Conflicts of interest and misaligned incentives are a hallmark of the CAT NMS

The Commission recognizes that some commenters on the Concept Release suggested additional changes to CAT reporting requirements that have not been included in proposed Rule 17a-26.[86] The Commission continues to consider whether other changes to CAT reporting requirements would be appropriate, but has preliminarily determined to focus its efforts on assuming responsibility for the CAT's governance and funding as a first step. This focus would be broadly consistent with the priorities expressed by many commenters on the Concept Release,[87] and the Commission has determined that maintaining the stability of the CAT amid the transition proposed herein would already be sufficiently complex without layering on additional changes to reporting requirements that might disrupt CAT reporting and/or regulatory use.[88]

The Participants, for instance, expressed concerns about limiting the disruptive impact of any new rulemaking, collectively urging the Commission to "ensure that all regulators will continue to have full, fair and equal access to and use of the CAT as they do today, on the same

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Plan Structure, especially as it relates to the cost and funding of the CAT. The CAT, as a Commission system, should be based on a Commission rule."); SIFMA Letter, supra note 66, at 10 ("[B]ecause the Commission effectively controls the CAT and is the biggest beneficiary of it, placing the CAT under the SEC's remit would better align its accountability, budgeting, and control.").

86 See, e.g., Letter from Howard Meyerson, Managing Director, Financial Information Forum, to Commission (June 22, 2026), available at https://www.sec.gov/comments/S7-2026-12/s7202612-859459-2648706.pdf ("FIF Letter").

87 See, e.g., Part II.B.2 supra.

88 Commenters on the Concept Release agreed that a measured transition that does not disrupt CAT reporting or regulatory use would be appropriate. See, e.g., STA Letter, supra note 66, at 4 ("STA acknowledges that transitioning the CAT from its current structure to direct Commission ownership and operation funded by Section 31 fees would require careful planning. A phased transition, accompanied by appropriate exemptive relief and coordination with the SROs to ensure continued access to necessary data for the discharge of their regulatory responsibilities, would be both feasible and advisable."); FINRA Letter, supra note 11, at 7 (suggesting that a new reporting rule leverage existing provisions from Rule 613 and mirror current reporting requirements to "avoid unnecessary cost and potential confusion that could result from introducing entirely new requirements regarding core reporting obligations").

terms and conditions as other regulators, without favoring any regulator over another."[89] Although another commenter suggested that the Commission use licensing agreements to "limit[] the CAT access of an exchange that has outsourced its regulatory functions to FINRA to only the activity that occurs on its exchange,"[90] the Commission agrees that the SROs should be permitted to maintain access to the cross-market data provided by the CAT. As one SRO commenter stated, "improper trading activity . . . can be difficult to identify without a comprehensive view of trading activity," even if an SRO is only responsible for enforcing its own rules with respect to the activity occurring on its own market.[91]

The Commission's goal with this Proposal therefore is to address concerns regarding CAT governance and funding without disrupting regulatory use of CAT data. Additionally, proposed Rule 17a-26 would substantially maintain current CAT data reporting requirements, as modified by any exemptive relief issued by the Commission, such that the data reported should not substantially change under the Proposal.

3. Rescission of the CAT NMS Plan and Related SRO Compliance Rules

With the rescission of Rule 613, the SROs would no longer be required to sponsor a national market system plan to maintain the CAT. Accordingly, the Commission anticipates that the Participants would seek the Commission's approval to rescind the CAT NMS Plan pursuant

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89 See Participant Letter, supra note 32, at 4. See also, e.g., NYSE Letter II, supra note 33, at 1; FINRA Letter, supra note 11, at 8-9; Nasdaq Letter I, supra note 32, at 6; Cboe Letter, supra note 32, at 2.

90 See SIFMA Letter, supra note 66, at 10. See also Healthy Markets Letter, supra note 43, at 21 (suggesting that the Commission "limit access to the CAT to just regulators that the Commission may deem necessary and appropriate").

91 See NYSE Letter II, supra note 33, at 1, 3; see also Letter from Jeffrey S. Davis, Senior Vice President, General Counsel, Nasdaq, to Vanessa A. Countryman, Secretary, Commission (Aug. 13, 2026), at 2-3, available at https://www.sec.gov/comments/S7-2026-12/s7202612-1002279-3169408.pdf ("Nasdaq Letter II").

to Rule 608.[92] Each Participant would also likely seek to rescind its CAT compliance rules pursuant to Section 19(b) of the Exchange Act and the Rule 19b-4 process.[93]

Request for Comment

The Commission solicits comment on the potential rescission of the CAT NMS Plan and any related SRO compliance rules. Specifically, the Commission solicits comment on the following:

1. Should the Commission order the rescission of the CAT NMS Plan and/or any related SRO compliance rules on a timeline that aligns with the effective dates of the proposed rescission of Rule 613 and the proposed implementation of proposed Rule 17a-26? What are the advantages and disadvantages of taking this action?

4. Sale and Transfer of CAT Assets and Operation of the Central Repository

Consistent with the CAT NMS Plan, proposed Rule 17a-26 would require reporting to a central repository.[94] As explained above, the Commission does not want to disrupt CAT reporting and regulatory use. The CAT is already operational, after a substantial investment of time and resources by the Commission, the Participants, and Industry Members. Creating a new audit trail at this time would be costly, time-consuming, and inefficient. Therefore, the Commission's goal is to maintain the reporting infrastructure already in place. Similarly, while the proposed rule does not include performance requirements for the system that would receive

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92 See 17 CFR 242.608.

93 15 U.S.C. 78s; 17 CFR 240.19b-4. Today, the Commission separately granted exemptive relief to the Participants to enable them to recover certain historical development and implementation costs from Industry Members. Because the CAT NMS Plan and related SRO compliance rules govern this collection, neither the CAT NMS Plan nor the related SRO compliance rules can be rescinded until such collection is complete.

94 See proposed Rule 17a-26(a)(13) (defining "Central Repository" to mean the repository responsible for the receipt, consolidation, and retention of all information reported to the Commission or designee.)

and/or store data reported pursuant to the proposed rule, the Commission anticipates that the central repository would function in a manner that is substantially similar to the CAT. The Commission therefore anticipates that the sale and transfer of CAT assets would be accomplished, and that operation of the CAT System would be transitioned, on the same timeline as the rescission of Rule 613, the CAT NMS Plan, and any related SRO compliance rules and the implementation of proposed Rule 17a-26. This approach would also help to minimize any potential disruption to CAT reporting and/or regulatory use.

In its comment on the Concept Release, CAT LLC stated that it would "not oppose exploring the potential transition of the CAT to the SEC if structured under appropriate conditions," but urges the Commission to consider "several critical issues that would need to be resolved before such a transition could take place."[95] These issues include, among others:

- The sale and/or transfer of the existing property and contractual rights of CAT LLC and FINRA CAT, including the sale and/or transfer of any CAT assets needed to substantially maintain the CAT System;
- The termination and/or re-establishment of the existing Plan Processor Agreement and other contractual agreements related to the CAT, including any subcontracting agreements[96] and any existing CAT Reporter Agreements[97]; and
- The resolution of any outstanding issues or potential claims, including any pending

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95 See Participant Letter, supra note 32, at 4.

96 In addition to the Plan Processor Agreement between CAT LLC and FINRA CAT, the Commission understands that various subcontracting agreements exist to govern, for example, cloud hosting and the collection and retention of SIP Data.

97 Each CAT Reporter must execute a CAT Reporter Agreement that governs the terms on which the CAT System is made available. See Consolidated Audit Trail Reporter Agreement, available at https://www.catnmsplan.com/sites/default/files/2025-11/Consolidated-Audit-Trail-Reporter-Agreement-March-2023-Amendment_Robert_Walley_DocuSigned.pdf.

litigation or outstanding loans made by the Participants to CAT LLC that remain unpaid.[98]

The Commission has considered these issues in developing its Proposal and recognizes that restructuring the CAT's governance and funding model would be a multifaceted and complex process.

The Commission anticipates that the Participants would likely seek to dissolve CAT LLC. If so, dissolution may be achieved pursuant to Section 10.2 of the CAT NMS Plan, which directs the Operating Committee to:

> (a) sell[] its assets in an orderly manner (so as to avoid the loss normally associated with forced sales); and (b) apply[] and distribut[e] the proceeds of such sale, together with other funds held by the Company: (i) first, to the payment of all debts and liabilities of the Company; (ii) second, to the establishments of any reserves reasonably necessary to provide for any contingent recourse liabilities and obligations; and (iii) third, to such persons or institutions as is consistent with the purposes of the Company and consistent with Section 501(c)(6) of the Code.[99]

Dissolution of CAT LLC is subject to the Commission's approval.[100]

The Commission preliminarily intends to substantially maintain the current performance requirements set forth in the CAT NMS Plan to ease the transition to a new governance and funding structure, including, among other things, requirements related to: the validation, processing, linkage, and storage of CAT Data; the collection and retention of SIP Data; the

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98 See, e.g., Participant Letter, supra note 32, at 4-5.

99 See CAT NMS Plan, supra note 17, at Section 10.2.

100 Id. at Section 10.1. To the extent that debts and liabilities must be paid in order for CAT LLC to be dissolved, one significant category of CAT LLC's debts and liabilities are the voluntary, interest-free loans provided by the Participants to CAT LLC to support the development and implementation of the CAT. The Participants have already recovered a significant portion of this funding from Industry Members pursuant to funding models approved by the Commission. See, e.g., 2026 Funding Model Order, supra note 60. Today, the Commission separately granted exemptive relief to the Participants to enable them to recover a portion of the costs incurred between January 1, 2022 through July 15, 2024. The exemptive relief granted by the Commission enables CAT LLC to establish a recovery period of one year for this collection.

development and maintenance of technical specifications for Participants and Industry Members; the comprehensive information security program for the CAT;[101] access and use controls for the CAT System and regulatory users; the query tools available to regulatory users; reports and written assessments provided by the Plan Processor; and the maintenance of a help desk, as well as a public website with CAT reporting information.

Therefore, to the extent that the Participants expressed concerns about whether the Proposal would constrain the methods by which regulatory users access CAT Data—for example, by requiring the Commission or the Designee to approve individualized queries or downloads of CAT Data[102]—the Commission does not intend the Proposal to have this effect.[103] Should the Commission ultimately contract with FINRA CAT or FINRA as the Designee to operate the CAT, as one commenter has suggested,[104] the Commission would consider whether and to what extent such an approach would affect the access or use of any other SRO by providing FINRA with preferential treatment relative to other SROs or by undermining the

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101 As the Commission has stated in the past, the CAT NMS Plan sets forth robust requirements designed to protect the data reported to and retained in the Central Repository, including requirements that the CAT comply with various security standards promulgated by the U.S. Department of Commerce's National Institute of Standards and Technology. See, e.g., Concept Release, supra note 10, at 20964-66.

102 See, e.g., note 89 and associated text supra. See also, e.g., Nasdaq Letter I, supra note 32, at 6 (stating that SROs should be given "direct, timely access on terms comparable to those available under the current framework, without requiring SROs to submit individualized requests or otherwise creating bottlenecks that could impair the timeliness or completeness of SRO regulatory activities"); Nasdaq Letter II, supra note 91, at 3 (urging the Commission to "reject certain commenters' suggestion that FINRA approve exchanges' access to, or downloading of, CAT transactional data"); Cboe Letter, supra note 32, at 2 ("Equal access, in terms of parity among regulators, requires that access be provided to all SROs and the Commission on the same reasonable terms and conditions, without favoring any SRO or the Commission over others or providing preferential treatment, differentiated functionality, access, tools or other structures relative to others.").

103 To the extent that the Participants are concerned about the impact of any potential access or user fees, see Part II.C.5 infra for further discussion.

104 See SIFMA Letter, supra note 66, at 10.

independence of any SRO.[105]

Request for Comment

The Commission solicits comment on the functionality that should be implemented for a central repository that would receive and/or store data reported pursuant to the proposed rule, the potential transition of CAT assets to new ownership, and any necessary contractual arrangements to effect the Proposal. Specifically, the Commission solicits comment on the following:

2. What functionality should be required for the central repository that would receive and/or store data reported pursuant to the rule? Should the Commission require that the system function in a manner that is substantially similar to the current functionality of the CAT? If not, please explain how the functionality of the system should be altered, why such alterations would be appropriate, whether such alterations should be made now or after the CAT's governance and funding model has been restructured, and what effect such alterations would have on reporting and regulatory use.

3. Consistent with other reporting rules promulgated by the Commission, proposed Rule 17a-26 would not include performance requirements for the central repository. Should any performance requirements be included in proposed Rule 17a-26? If so, please identify the performance requirements that should be included and explain why it would be appropriate to include those performance requirements. For example, should proposed Rule 17a-26 codify any of the performance requirements set forth in the CAT NMS Plan?

4. The Commission anticipates that the sale and transfer of CAT assets would be accomplished, and that operation of the CAT System would be transitioned, on the same timeline

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105 See, e.g., Cboe Letter, supra note 32, at 6 (suggesting that it would not be appropriate for "a single SRO to own CAT and contract with other SROs to provide access to CAT," because this "could lead to SRO regulation being overly reliant on the single SRO that owns CAT and allow that owner to effectively veto the collective wisdom of the other SROs on CAT operational issues").

as the rescission of Rule 613, the CAT NMS Plan, and any related SRO compliance rules and the implementation of proposed Rule 17a-26. Should these changes instead be implemented in phases? If so, please explain in what order the above-described changes should be implemented, on what timeline, and why such timeline is appropriate.

5. Use of Appropriated Funds to Support the CAT

Consistent with other reporting rules promulgated by the Commission,[106] proposed Rule 17a-26 does not address how the system to which data reported under the proposed rule would be funded. Instead, the Commission intends to use funds appropriated by Congress to pay the Commission's costs relating to use, operation, and maintenance of the CAT system. The Commission's budget is set annually through the Congressional appropriations process. Section 31(a) of the Exchange Act requires the Commission to collect transaction fees and assessments from each national securities exchange and national securities association that are designed to recover the costs to the government of the annual appropriation to the Commission by Congress ("Section 31 fees").[107] Section 31 fees are deposited and credited as offsetting collections to the account providing appropriations to the Commission.[108] Section 31 fees are imposed on SROs,[109] and Section 31 does not address the manner or extent to which covered SROs may seek to recover the costs of their Section 31 obligations from their members or to which members of the SROs may seek to pass on these costs to their customers. "In practice," the Commission has previously observed, "the covered SROs obtain the funds for these fees and assessments by assessing charges on their members, and the members in turn pass these charges to their

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106 See, e.g., 17 CFR 240.17a-25.

107 See 15 U.S.C. 78ee(a), (i)(1)(A).

108 17 CFR 240.31.

109 Id.

customers."[110]

Based on the feedback provided by commenters, there is support amongst both Participants and Industry Members for the Commission to use funds appropriated by Congress to support the CAT.[111] SIFMA, for example, stated:

> Without a funding obligation for the CAT, the SEC has no meaningful incentive to consider the costs associated with the scope of the information the SEC requires to be reported to the CAT, as well as the cost associated with using the system for rulemaking purposes. Under this approach, CAT costs would be subject to the checks and balances of the Congressional appropriations process for the Commission. While the industry would still ultimately pay for the CAT through the Section 31 process (where the industry reimburses the SEC for its budget), inclusion in the SEC's budget will serve to better align incentives to control costs and address longstanding concerns about ineffective governance.[112]

SIFMA also stated that this approach was similar to the way that the Commission funds other regulatory systems.[113] Other commenters expressed similar views.[114]

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110 See Securities Exchange Act Release No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July 7, 2004) (further stating that "Section 31 places no obligation on members of covered SROs or their customers").

111 See, e.g., SIFMA Letter, supra note 66, at 7-9; FINRA Letter, supra note 11, at 9-10; Citadel Letter, supra note 83, at 4; PTG Letter, supra note 83, at 2; MEMX Letter, supra note 32, at 4-5; STA Letter, supra note 66, at 3; Healthy Markets Letter, supra note 43, at 19; Committee Letter, supra note 70, at 4; Robinhood Letter, supra note 67, at 6; MFA Letter, supra note 70, at 5; Nasdaq Letter I, supra note 32, at 7; Letter from Tom Walrond, Jr., President, Raymond James & Associates, Inc., to Vanessa Countryman, Secretary, Commission (June 22, 2026), at 2, available at https://www.sec.gov/comments/S7-2026-12/s7202612-858679-2646728.pdf ("Raymond James Letter").

112 SIFMA Letter, supra note 66, at 7-8.

113 See, e.g., SIFMA Letter, supra note 66, at 8 (stating that the Commission "has many regulatory systems that it pays for through its annual Congressional appropriations process, none of which are specifically named in Section 31," including MIDAS and EDGAR).

114 See, e.g., FINRA Letter, supra note 11, at 10; STA Letter, supra note 66, at 3; MFA Letter, supra note 70, at 5; Citadel Letter, supra note 83, at 3-4; PTG Letter, supra note 83, at 2; MEMX Letter, supra note 32, at 4-5; Raymond James Letter, supra note 111, at 2; Committee Letter, supra note 70, at 4; Nasdaq Letter I, supra note 32, at 7. Some of these commenters suggested that the Commission change the funding structure of the CAT in this manner, either by amending the CAT NMS Plan or by granting exemptive relief from the provisions of the CAT NMS Plan, before assuming control of the CAT. See, e.g., PTG Letter, supra note 83, at 2; Citadel Letter, supra note 83, at 4; SIFMA Letter, supra note 66, at 8. The Commission considered this approach, but preliminarily determined that it would not be appropriate for the Commission to assume funding responsibility for the CAT without simultaneously implementing a new governance structure that gives the Commission direct control over the system.

Both Participants and Industry Members stated that Section 31 provided a "well-established" fee mechanism that is "currently operational, transparent, and adjustable."[115] One Participant further stated that a "Section 31 model would be both superior and less controversial than existing models," because "market participants also support a Section 31 fee model . . . ."[116] Commenters thus believed that "adoption of this model would . . . end years of dispute on how CAT is funded, putting an end to the barrage of [funding] proposals, re-proposals, and litigation that have diverted important resources away from other more important business initiatives."[117] The Commission agrees that use of appropriated funds to support the CAT could help to avoid the recurrence of certain long-standing disputes.[118]

Although the Participants are generally open to a solution that uses appropriated funds to support the operation of the CAT, some expressed concerns "regarding the persistence of sufficient long-term funding on a predictable basis."[119] These commenters urged the Commission to consider "how it would ensure appropriate market oversight if CAT costs were to exceed appropriated amounts" and to "take into account contingencies for government

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115 FINRA Letter, supra note 11, at 9-10. See also, e.g., MEMX Letter, supra note 32, at 5; Committee Letter, supra note 70, at 4; Raymond James Letter, supra note 111, at 2; Nasdaq Letter I, supra note 32, at 7.

116 MEMX Letter, supra note 32, at 5.

117 MEMX Letter, supra note 32, at 5-6; see also, e.g., Committee Letter, supra note 70, at 4 ("The process for determining and collecting Section 31 fees is prescribed by statute and operates as part of the normal congressional appropriations process. As a result, it rests on a clear legal foundation and has not been subject to the types of legal challenges that have arisen with respect to the CAT's current funding model, which is not established by statute and instead relies on SRO discretion. Moving CAT costs to the SEC's budget would therefore resolve the ongoing dispute about the legal validity of the CAT's funding structure and reduce the risk of future challenges. This would increase predictability and consistency for the SEC and market participants."); STA Letter, supra note 66, at 3 (stating that "Section 31 funding would avoid the administrative burdens, litigation risks, and perceived inequities associated with repeated fee filings and allocations under the CAT NMS Plan").

118 For example, the Proposal would resolve the dispute as to whether the 2026 Funding Model violates the Article I power of Congress to "lay and collect taxes" because it would require that the CAT be funded through appropriations authorized by Congress.

119 See NYSE Letter I, supra note 32, at 6.

shutdowns or other temporary lapses in funding, which have unfortunately become commonplace."[120]

Despite the need to fund the system to which CAT Data will be reported, Participants also strongly oppose "any framework involving added license or usage fees of any kind," stating that "such fees would discourage effective market oversight activity and could result in the Participants bearing greater CAT costs than they do today."[121] The Participants also state that "allowing the Commission to impose such fees would undermine the very premise of congressional oversight of CAT costs, as the Commission could simply impose fees as an end-run around any shortfall in congressional appropriations."[122]

While one SRO commenter agreed with its peers that "[i]mposing access, usage, or other fees on SRO access to CAT Data could disincentivize robust regulatory efforts by other SROs or incentivize SROs to seek transactional data at no marginal cost by sending more data requests to their respective broker-dealer members," it asserts that "a Section 31 model can provide a reliable source of funding for a Commission-operated CAT."[123] This commenter stated that

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120 Id. See also, e.g., Cboe Letter, supra note 32, at 2 ("[A] fundamental element must be to develop and implement a permanent and sustainable funding model that will ensure that CAT's operations are not imperiled by a funding shortfall if, for example, CAT costs increase beyond an appropriated amount or its budget."); Participant Letter, supra note 32, at 4-5 ("The Commission should consider how it would ensure that congressional appropriations are sufficient to fund the costs of the CAT, including how effective market oversight would be maintained if CAT costs exceed appropriated funding." (citation omitted)).

121 See Participant Letter, supra note 32, at 5. See also, e.g., NYSE Letter I, supra note 32, at 6 (stating that regulatory use of the CAT could be chilled if the Participants are required to pay usage fees or to make loans); Cboe Letter, supra note 32, at 2 (stating that access to the CAT should be "provided on a cost-free basis to ensure there are no impediments to effective regulatory oversight").

122 See Participant Letter, supra note 32, at 5. See also, e.g., NYSE Letter I, supra note 32, at 6 ("The NYSE Exchanges also note that requiring the SROs to offset any shortfall(s) from Section 31 collections via usage fees or additional loans to the CAT would be inequitable—especially if the SROs have no future role in the CAT's operation or governance. Moreover, if funding shortfalls are covered by usage fees or loans, those fees or loans may increasingly take up a larger percentage of overall CAT costs by future Commissions or Congresses.").

123 See Nasdaq Letter II, supra note 91, at 4.

Section 31(k) of the Exchange Act "expressly provides that the Commission shall continue to collect Section 31 fees in the event of an appropriations lapse."[124] This commenter also suggested that a "hard cap limiting potential CAT budget overruns" would be a "compelling reason for the Commission to ensure that the CAT stays within budget."[125]

The Commission has preliminarily determined to seek to use appropriated funds to support the operation of the system to which data would be reported under proposed Rule 17a-26, which the Commission intends to function in substantially the same manner as today. Because the Commission would be constrained by the amount of appropriated funds received from Congress, the Commission would be incentivized to ensure that this new system stays within its budget.[126] Nevertheless, the SROs have stated that they need to be able to access and use the CAT to perform their regulatory duties[127] and may need to fund their access to and/or use of the system and/or functionality that the SROs require. Having the SROs pay fees for costs relating to their own access to and/or use of the central repository that would receive and/or store data reported pursuant to proposed Rule 17a-26 would not "undermine the very premise of congressional oversight of CAT costs," as the Participants suggest.[128] As discussed above, the Commission's annual budget is set through the Congressional appropriations process, and the Exchange Act requires that the Commission assess and collect fees from national securities

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124 Id.; see also 15 U.S.C. 78ee(k) ("If on the first day of a fiscal year a regular appropriation to the Commission has not been enacted, the Commission shall continue to collect (as offsetting collections) the fees and assessments under subsections (b), (c), and (d) at the rate in effect during the preceding fiscal year, until 60 days after the date such a regular appropriation is enacted.").

125 See Nasdaq Letter II, supra note 91, at 5.

126 See id.

127 See Part II.B.1 supra.

128 See, e.g., note 122 and associated text supra.

exchanges and national securities associations to offset the appropriation.[129] Those appropriated funds would be used by the Commission to pay for its costs relating to use, operation, and maintenance of the CAT. Any costs specifically associated with the SROs' access to and/or use of the central repository, however, would be costs incurred by the SROs as part of their regulatory oversight responsibilities, which the SROs have always been responsible for funding themselves (including through fees on their members).

With respect to a lapse in appropriations, the Commission has been able, in the past, to ensure the continued operation of other systems like the Electronic Data Gathering, Analysis, and Retrieval system ("EDGAR"), the Investment Adviser Registration Depository ("IARD"), and the Electronic Form Filing System ("EFFS").[130] Moreover, in the event of an appropriations lapse, Section 31 fees would continue to be collected.[131]

The Commission also does not anticipate that any fees or other CAT related costs that the SROs may have to pay, beyond Section 31 fees, would necessarily chill or disincentivize regulatory use of the central repository to which data would be reported under proposed Rule 17a-26, as the Participants suggest.[132] As discussed above, the SROs would still have the same obligations to comply, and enforce the compliance by their members and associated persons, with the Exchange Act, the Commission's rules and regulations thereunder, and the SRO's own

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129 See 15 U.S.C. 78ee.

130 See Operations Plan Under A Lapse In Appropriations and Government Shutdown, Commission (Jan. 27, 2026), available at https://www.sec.gov/files/sec-plan-operations-during-lapse-appropriations.pdf; see also Nasdaq Letter II, supra note 91, at 4-5 (suggesting similar measures).

131 See note 124 and associated text supra.

132 See, e.g., note 121 and associated text supra.

rules,[133] for which purpose they have stated they require continued access to the CAT.[134] Moreover, SROs have traditionally recovered their regulatory costs through the collection of fees from their members, and such fees are specifically contemplated by the Exchange Act.[135]

Request for Comment

The Commission solicits comment on the proposed implementation of an appropriations-based funding model for the CAT, as discussed above, and how the SROs would pay the costs of their use of and/or access to the system. Specifically, the Commission solicits comment on the following:

5. What functionality would the SROs require from the Central Repository to perform their regulatory duties? What costs would SRO access and use impose on the central repository to which data would be reported pursuant to proposed Rule 17a-26? How should the SROs fund these costs? Through fees assessed by the Commission (which could require additional authority from Congress), through fees assessed by the Designee, or through some other mechanism?

6. Establish Advisory Committees and/or Working Groups

The Proposal is designed to address the inefficiencies in the current CAT governance structure by eliminating the diffuse ownership structure required by Rule 613 and/or the CAT NMS Plan and giving the Commission direct control over the CAT. But there are benefits

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133 See note 8 and associated text supra.

134 See, e.g., Part II.B.1 supra.

135 Sections 6(b)(1) and 15A(b)(2) of the Exchange Act require that an exchange or association have the capacity to be able to carry out the purposes of the Exchange Act, the rules and regulations thereunder, and the rules of the exchange or association. 15 U.S.C. 78f(b)(1); 15 U.S.C. 78o-3(b)(2). *See e.g.,* Schedule A to the By-Laws of FINRA, Section 1(a) (stating "FINRA shall, in accordance with this section, collect member regulatory fees that are designed to recover the costs to FINRA of the supervision and regulation of members, including performing examinations, financial monitoring, and policy, rulemaking, interpretive, and enforcement activities"). SROs have an obligation to be so organized and have the capacity to be able to carry out the purposes of the Exchange Act, and to enforce compliance by their members with the Exchange Act and their rules. 15 U.S.C. 78f(b)(1); 15 U.S.C. 78o-3(b)(2).

provided by the current CAT NMS Plan structure—namely, that experts from each SRO and each member of the Advisory Committee can be freely consulted to provide their opinions on a range of topics, including, among other things, trading practices, regulatory needs, compliance challenges, technology, and/or information security. The Commission wishes to preserve its ability to tap into this expertise as needed. To that end, the Commission is exploring how best to establish formal mechanisms for soliciting and receiving similar feedback and/or input, including dedicated advisory committees and/or working groups established pursuant to the Federal Advisory Committee Act of 1972 ("FACA"),[136] or the existing channels the Commission maintains to communicate with interested stakeholders and the public, such as comment letters and meetings with relevant staff.

This proposed approach is consistent with suggestions made by commenters on the Concept Release.[137] Some of the SROs, however, advocated for a more prominent role in any future governance model. For example, one SRO commenter stated that "the principle of one vote per SRO should be preserved so that SRO expertise regarding data reporting mechanisms and the functionality needed to ensure that CAT Data remains useful for the SROs to fulfil their regulatory responsibilities can be brought to bear on CAT management and operational

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136 5 U.S.C. 10; 41 CFR 102-3.

137 See, e.g., Citadel Letter, supra note 83, at 4 (suggesting that the Commission establish "an industry advisory body comprised of SROs and market participants"); FINRA Letter, supra note 11, at 10-11 ("One approach to ensuring ongoing input from interested parties is where the Commission contracts with its audit trail vendor to establish an audit trail committee."); Participant Letter, supra note 32, at 5 ("The Commission should establish a framework to ensure meaningful consultation with the SROs on key elements of the CAT, particularly where decisions may affect system functionality or regulatory use."); SIFMA Letter, supra note 66, at 13 ("After the CAT transitions out of an NMS Plan construct, the Commission could create its own CAT Advisory Committee, similar to its other public advisory committees, to meet regularly to review the operation and performance of the CAT. As noted, it could then be expanded to include SROs." (citation omitted)); PTG Letter, supra note 83, at 3 ("The SEC should strongly consider maintaining the advisory committee once CAT is fully transitioned to SEC management."); MEMX Letter, supra note 32, at 7 (suggesting that the Commission establish an advisory committee that includes representatives of both SROs and market participants).

issues."[138] Another SRO commenter similarly stated that "[c]entralizing all governance authority within the Commission, without structured mechanisms for SRO participation, would risk forfeiting institutional knowledge critical to the CAT's continued effectiveness."[139] This commenter therefore recommended that the Commission "retain ultimate decision-making authority," but "include a formal governance and consultation framework that preserves meaningful SRO participation and structured industry input on material CAT decisions, including plan modifications, data retention and access policies, system changes affecting reporting obligations, budgetary matters, and technology procurement."[140]

The Commission agrees with these SROs regarding the value of their institutional knowledge. Nevertheless, even if possible, providing each SRO with a voting role with respect to the central repository to which data would be reported pursuant to proposed Rule 17a-26 would subvert the goals of the Proposal—which are to concentrate CAT governance with the Commission and thereby provide the Commission with direct control of the CAT. The Commission is therefore exploring other methods of soliciting and receiving the valuable feedback that could be provided by the SROs such as those described above.[141]

Request for Comment

The Commission solicits comment on the proposed establishment of an advisory committee and/or working groups to provide the Commission and/or the Designee with feedback regarding CAT operations. Specifically, the Commission solicits comment on the following:

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138 Cboe Letter, supra note 32, at 2 (stating that, to the extent a non-voting advisory framework was pursued, "SRO representation remains equally important"); see also, e.g., NYSE Letter I, supra note 32, at 6 (stating that NYSE was open to considering alternative funding models for the CAT, so long as such models "provide for SRO (or, Participant) participation in the operation and governance of the CAT").

139 Nasdaq Letter I, supra note 32, at 7.

140 Id.

141 See supra note 136 and accompanying text.

6. The SROs currently maintain a number of subcommittees and/or working groups to facilitate the operation of the CAT, including: a fee review subcommittee, a compliance subcommittee, a steering working group, a working group that develops interpretive guidance regarding rules and technical specifications, a security working group, a working group that discusses matters related to the technical architecture of the CAT, a working group that discusses matters relating to regulatory use of the CAT, a cost and funding working group, a risk management working group, a data issues review working group, an Industry Member technical specifications working group, and a working group related to the Plan Processor Agreement. What working groups and/or subcommittees should be formed under the Proposal? Please explain why such working groups and/or subcommittees are important.

7. Should the Commission establish an advisory committee(s) pursuant to the FACA? If the Commission establishes an advisory committee(s) pursuant to FACA:

a. How should the Commission define the objectives and the scope of activities for the advisory committee(s)? How should the Commission describe the duties of the advisory committee(s)? Should the advisory committee(s) create subcommittees? If so, on what topics and why?

b. How often and for what duration should the advisory committee(s) meet? Would an initial term of less than two years for a FACA committee be sufficient?[142] Why or why not?

c. FACA requires that the membership of the advisory committee(s) be fairly balanced.[143] What expertise should be required to sit on the advisory committee(s)? What groups or interests should be represented on the advisory committee(s)? For example, should the

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142 See 5 U.S.C. 1013(a)(2); 41 CFR 102-3, supra note 136.

143 See 5 U.S.C. 1004(b)(2); 41 CFR 102-3.60(b).

advisory committee(s) include representatives from SROs, broker-dealers, retail and institutional investors and those who represent their interests, academics, economists, technology experts and service providers, trade associations, and/or civil liberties groups? How else should membership be fairly balanced?

8. Is the information that the Commission or the Designee would obtain by establishing an advisory committee and/or working groups available through another existing source or existing advisory committee? If so, please identify such source or committee and explain what feedback that source or committee could provide.

9. Instead of establishing advisory committees and/or working groups, what alternative methods of soliciting and receiving feedback and/or input from the SROs, Industry Members, and other stakeholders should the Commission consider? For example, periodic or ad hoc roundtables. What are the advantages and disadvantages of these methods? Does the answer depend on the subject matter on which the Commission would be soliciting feedback? Why?

III. Proposed Rescission of Rule 613

The Commission proposes herein to implement Rule 17a-26 to substantially maintain current CAT data reporting requirements, but require data to be reported to the Commission or the Designee.[144] These changes should provide the Commission with direct control of the CAT.[145] But without further action, it may be unclear to the SROs, Industry Members, and other stakeholders what obligations they have with respect to the CAT under Rule 613. Therefore, the Commission is also proposing herein to rescind Rule 613 in its entirety and to reserve the section

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144 See Part IV infra.

145 See Part II.C supra for further discussion of the Proposal. The Commission also considered whether to leave the above-described Rule 613 obligations in place and to establish a new consolidated audit trail, instead of negotiating with CAT LLC for the sale and transfer of CAT assets. However, establishing a new and duplicative system would increase costs for reporters and squander the substantial efforts that have already been made with respect to the CAT.

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The primary focus of Rule 613 is on the initial creation or development of the CAT NMS Plan. Specifically, the rule instructs the Participants to jointly create the CAT NMS Plan in accordance with the procedures set forth in Rule 608.[146] Rule 613 further requires that certain features be included in the CAT NMS Plan, such as provisions setting forth a governance and funding model for the CAT,[147] provisions requiring Participants and their members to report certain data according to certain standards,[148] provisions requiring the collection and retention of SIP Data,[149] provisions requiring the establishment of a central repository to collect, store, and make such data available to regulators in a form that links together all events pertaining to the same originating order,[150] provisions to ensure the timeliness, accuracy, integrity, and completeness of the data reported to the central repository,[151] and provisions setting forth the policies, procedures, and standards that will be used to ensure the security and confidentiality of CAT Data.[152]

But Rule 613 does more than set forth requirements for the contents of the CAT NMS Plan. It also requires that each SRO develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the CAT.[153] Moreover, Rule

146 17 CFR 242.613(a)(2); 17 CFR 242.608.

147 17 CFR 242.613(b).

148 Id. at (c), (d).

149 Id. at (e)(7).

150 See 17 CFR 242.613(e).

151 Id.

152 Id.

153 Id. at (f).

613 requires each SRO to be a sponsor of the CAT NMS Plan,[154] to comply with the CAT NMS Plan,[155] and to require its members to comply with the CAT NMS Plan and to enforce such compliance by its members.[156]

The Commission is proposing to rescind all provisions of Rule 613 on the same timeline as the implementation of proposed Rule 17a-26. This coordinated approach would avoid disrupting regulatory use of the data currently reported to the CAT. It would also provide regulatory clarity to market participants regarding their reporting obligations and best facilitate the rescission of the CAT NMS Plan and/or any related SRO compliance rules.[157] The proposed course of action provides more certainty to market participants regarding the intended future of the CAT.[158]

Request for Comment

The Commission solicits comment on the proposed rescission of Rule 613. Specifically, the Commission solicits comment on the following:

10. If the Commission were to rescind Rule 613 and to adopt Rule 17a-26 as proposed, would the Participants proceed to seek Commission approval to rescind the CAT NMS Plan and/or any related SRO compliance rules as the Commission anticipates? Why or why not?

11. Could the Commission achieve the same goals by granting exemptive relief from all provisions of Rule 613 instead of rescinding Rule 613? Why or why not? What are the

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154 Id. at (a)(4).

155 Id. at (h)(1).

156 Id. at (g).

157 The Commission considered whether it could achieve a similar result by granting exemptive relief from all provisions of Rule 613, but preliminarily determined that rescission of Rule 613 would provide greater certainty to market participants regarding the intended future of the CAT.

158 This approach also had the support of commenters on the Concept Release. See, e.g., Part II.C.1-2 supra.

advantages and disadvantages of each approach?

IV. Proposed Rule 17a-26

Overview of Proposed Rule 17a-26

Currently, the CAT is implemented through the CAT NMS Plan, as required by Rule 613. The CAT System is owned by the Participants and operated on their behalf by FINRA CAT, pursuant to a contractual arrangement. Participant reporting requirements are imposed by the CAT NMS Plan and reporting requirements for Industry Members are imposed through rules adopted by each Participant ("SRO CAT Compliance Rules").[159] Under proposed Rule 17a-26, national securities exchanges, national securities associations, and broker-dealers would be required to maintain and report certain information to the Commission or the Designee, and such information would be ingested, processed, and made available for regulatory purposes. If the proposed rule were adopted, the CAT NMS Plan and SRO CAT Compliance Rules would no longer be necessary to impose reporting obligations.

As proposed, Rule 17a-26 is based on relevant elements of the CAT NMS Plan and SRO CAT Compliance Rules, in a manner generally designed to maintain reporting requirements for the SROs and Industry Members for the CAT as they exist today. As noted above, this general approach is supported by comments received on the Concept Release, which explicitly urged the Commission to eliminate the CAT NMS Plan in favor of promulgating its own reporting rule that

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159 See, e.g., FINRA Rule 6800 series; The Nasdaq Stock Market Rules, General 7 (Consolidated Audit Trail Compliance). See also CAT NMS Plan, supra note 3, Section 3.11 (requiring each Participant to comply with and enforce compliance by its Industry Members with the provisions of Rule 613 and the CAT NMS Plan, including endeavoring to promulgate consistent rules requiring compliance by their respective Industry Members with the provisions of Rule 613 and the CAT NMS Plan); Section 6.4 (describing requirements for SRO CAT Compliance Rules); Section 6.8 (describing requirements for timestamps and synchronization of Business Clocks in SRO CAT Compliance Rules).

leveraged existing requirements from Rule 613 and/or the CAT NMS Plan.[160] The intent of replicating current requirements found in the CAT NMS Plan and SRO CAT Compliance Rules is minimizing disruptions in the reporting of information to the CAT during the transition to a new governance and funding model. For example, the Commission anticipates that, if Rule 17a-26 is adopted as proposed, both the Participants and Industry Members that currently report pursuant to the CAT NMS Plan and SRO Compliance Rules could maintain the same reporting format under the same technical specifications as they do today. Proposed Rule 17a-26 would not implement new substantive reporting requirements; it would also incorporate previously-granted exemptive relief, as discussed in greater detail below in Part IV.L.

This design avoids costs associated with creating new systems or technology development costs related to meeting new reporting standards, consistent with suggestions made by commenters on the Concept Release. For example, one commenter noted that "SROs and industry members have expended substantial resources to report consistent with current CAT specifications."[161] CAT LLC similarly stated that, "[g]iven the time and investment required to fully implement the CAT and to revamp Industry Member and Participant systems to comply with it, it would not be sensible or cost-effective to eliminate the CAT in favor of developing a

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160 See, supra note 83. See also NYSE Letter I, supra note 32, at 6 (stating that "[t]he the general functionality, design and structure of the CAT now reflects a balanced approach to weighing the CAT's purpose, the SROs' regulatory obligations and needs, impact to Industry Members, data collection (including privacy), and preservation concerns");

161 See FINRA Letter, supra note 11, at 7 n.22. See also FIF Letter, supra note 86, at 4 (stating that "[i]n considering the scope of costs for CAT and other audit trails, it is important to consider the costs to regulators and SROs to operate these systems as well as the internal technology, operational and compliance costs that firms must incur to fulfill their reporting obligations"); Letter from Murray Abel, Managing Director and Co-Founder, Control Now, to Vanessa A. Countryman, Secretary, Commission (June 19, 2026), at 2, available at https://www.sec.gov/comments/S7-2026-12/s7202612-848339-2599616.pdf ("Control Now Letter") (stating that "CAT reporters expend significant time and resources determining how to map their order handling practices to each field in each CAT report").

different audit trail from scratch."[162] Maintaining current reporting requirements in a new rule, including incorporating exemptive relief, "would avoid unnecessary cost and potential confusion that could result from introducing entirely new requirements regarding core reporting."[163] Maintaining current CAT reporting requirements would also benefit regulatory users of CAT Data and regulators who have developed systems to utilize CAT Data as it exists today.[164]

Because it is maintaining current CAT reporting requirements, the Commission is not proposing to alter reporting requirements in the proposed rule at this time. Nevertheless, the Commission acknowledges concerns regarding the elements reportable to the CAT presented by commenters to the Concept Release[165] and welcomes specific comments on the proposal to

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162 See Participant Letter, supra note 32, at 3.

163 See FINRA Letter, supra note 11, at 7. See also id. at 3 (stating that "[t]he Commission should prioritize minimizing transition burdens and recognize and leverage the significant investments that CAT reports have already made in reporting to existing CAT infrastructure").

164 See, e.g., FINRA Letter, supra note 11, at 7 n.22 (stating that "FINRA has expended substantial additional resources to incorporate CAT data into its surveillance systems and other oversight processes"); Cboe Letter, supra note 32, at 1 (stating that "the Cboe Exchanges and other SROs now rely on CAT Data to fulfill their statutory regulatory responsibilities and, at the Commission's mandate, other legacy cross-market audit trails were phased out as CAT became operational"). See also NYSE Letter I, supra note 32, at 2 (stating that the "NYSE Exchanges, like other SROs, would also incur massive costs -- above and beyond the sums expended in support of the creation and implementation of the CAT -- if required to transition to an alternative system"); FINRA Letter, supra note 11, at 6 (stating that "[i]n assuming responsibility for the audit trail, the SEC would be able to leverage existing processes, specifications, and infrastructure to avoid new build-out costs").

165 See, e.g., Citadel Letter, supra note 83, at 2-3 (stating that "[l]ow value data elements and event types should be eliminated," and stating that "[e]ach data element should be reported once by the most appropriate source, instead of being duplicated by multiple parties"); Raymond James Letter, supra note 111, at 4 (stating that "the Commission should evaluate what data is truly necessary to adequately perform market surveillance and where possible, eliminate any other data that is not critical to that function"); Letter from Timothy P. Terry, Secretary, Private Investor Coalition to Vanessa Countryman, Secretary, Commission (June 22, 2026), at 4, available at https://www.sec.gov/comments/S7-2026-12/s7202612-858619-2646612.pdf ("Private Investor Coalition Letter") (recommending that the Commission adopt a formal "regulatory necessity" standard for all categories of data collected through the CAT, under which standard, "each data field, each population of reporting entities, and each authorized use of CAT data would be justified by reference to a specific, documented regulatory function," and "[d]ata fields or uses that cannot be justified under this standard would be eliminated"); Letter from Andrew M. Langer, President, Main Street Foundation, to Vanessa Countryman, Secretary, Commission (June 29, 2026), at 2-3, available at https://www.sec.gov/comments/S7-2026-12/s7202612-908240-2776683.pdf (stating, among other things, "[e]very requested data element imposes compliance costs," and that "[e]very reporting requirement should serve a clearly identified regulatory purpose, and information collection should remain

maintain CAT reporting requirements in proposed Rule 17a-26.

There are some differences in what is required today of CAT Reporters pursuant to the CAT NMS Plan and SRO CAT Compliance Rules and what would be required pursuant to the proposed rule, but these differences are not directly related to the specific elements required to be reported to the CAT. The proposed rule would expand clock synchronization and Business Clock requirements that are currently imposed on just Industry Members to all CAT Reporters (see, infra, Part IV.C below), take a different approach to errors and error corrections than is currently contemplated in the CAT NMS Plan, without modifying existing timeframes for initial corrections (see, infra, Part IV.J below), and incorporate existing exemptive relief relating to reporting that is technically not part of or pursuant to the CAT NMS Plan (see, infra, Part IV.L below). But these and other differences from existing requirements, as described more fully below, are not designed or anticipated to impact the day-to-day requirements of reporting transaction information to the Commission or the Designee, as compared to existing requirements under Rule 613, the CAT NMS Plan, and SRO CAT Compliance Rules.

Preamble to Proposed Rule 17a-26

Proposed Rule 17a-26 includes a preamble describing the purpose of the proposed Rule 17a-26 and limitations on the use of information submitted to the Commission or the Designee pursuant to the proposed rule. Specifically, proposed Rule 17a-26 states that national securities exchanges, national securities associations, and broker-dealers are required to report certain information to the Commission or the Designee, to allow for the maintenance of a consolidated audit trail to be used for regulatory purposes only. It would state that the information reported

proportionate to SEC's legitimate oversight responsibilities"); Data Boiler Letter, supra note 66, at 25 (stating that, "[w]e recommend relieving the broker-dealers' burden," and that, "[t]heir trade reporting obligations should be limited to the equivalent functions of OATS, COATS, EBS, and EDGAR filings").

pursuant to this section may only be accessed and used by authorized regulatory staff of the Commission, national securities exchanges, and national securities associations to support regulatory purposes, such as market reconstruction and analyses, surveilling, examining, investigating, or enforcing compliance by its members and their associated persons with federal securities laws, the Commission's rules and regulations thereunder, and a national securities exchange or national securities association's own rules.

These limitations on the access and use in the proposed preamble are consistent with and build upon existing limitations for CAT Data. Rule 613 and the CAT NMS Plan limit the use of CAT Data to solely surveillance and regulatory purposes.[166] The CAT NMS Plan also provides that the Plan Processor must provide Participants' regulatory staff and the Commission with access to CAT Data for regulatory purposes only.[167] Examples of functions for which Participants' regulatory staff and the SEC can currently use CAT Data include economic analysis, market structure analyses, market reconstructions, market surveillance, investigations, and examinations.[168] In their comments on the Concept Release, Cboe and Nasdaq supported efforts to "further reinforce or enhance these restrictions on how CAT Data can be used."[169] The Commission agrees that current restrictions on CAT Data access and use could be further

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166 See, e.g., Rule 613(e)(4)(i)(A) and CAT NMS Plan, supra note 3, Section 6.5(f)(i)(A), 6.5(g). However, a Participant may use data that it reports to the Central Repository for regulatory, surveillance, commercial, or other purposes as otherwise not prohibited by applicable law, rule or regulation. See CAT NMS Plan, supra note 3, Section 6.5(h).

167 See CAT NMS Plan, supra note 3, at Appendix D, Section 8.1.

168 See id.; see also Part II.B.1 supra for further discussion regarding current regulatory uses of CAT Data.

169 See Cboe Letter, supra note 32, at 2; see also Nasdaq Letter I, supra note 32, at 13-14 (noting continued efforts by private litigants to obtain CAT Data and supporting an amendment to the CAT NMS Plan explicitly prohibiting the disclosure of CAT Data to any person other than the Participants, the Commission, and other U.S. federal regulators or law enforcement agencies and/or an amendment to Rule 613 to prohibit the distribution, disclosure, or production of data in response to civil litigation subpoenas). FINRA similarly stated that "clarifying data ownership in an SEC-governed model would help manage access to CAT data by parties beyond the SEC and SROs." FINRA Letter, supra note 11, at 8.

clarified in proposed Rule 17a-26.

The proposal to limit access and use of the consolidated audit trail to authorized regulatory staff of the Commission, national securities exchanges, and national securities associations to support regulatory purposes only is designed to continue to prevent such information from being directly accessed by non-regulatory staff, or used for commercial purposes or other non-regulatory purposes, as such usage would be inconsistent with the purposes of CAT, which was designed to be a regulatory tool.[170] CAT data is intended to be used by regulators for regulatory purposes, not for non-regulatory purposes such as by private litigants seeking to obtain such data for civil lawsuits, which is a concern that has been raised by commenters on the Concept Release.[171] For example, usage of such information that does not serve solely regulatory purposes, such as economic analyses or market structure analyses in support of SRO rule filings with both a regulatory and commercial purpose, would be inconsistent with the proposed rule. In contrast, the definition would not prohibit the use of such information by a national securities exchange to support a rule filing with a solely regulatory purpose. The Commission declines at this time to specify what actions that would constitute "regulatory use" or otherwise explicitly limit or impose terms on the use of CAT Data when it is used for regulatory purposes, as suggested by a commenter on the Concept Release.[172] The

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170 See CAT NMS Plan Approval Order, supra note 3, at 84758.

171 See also Nasdaq Letter I, supra note 32, at 14 (stating that "the Commission should amend Rule 613 of Regulation NMS to explicitly clarify that CAT Data cannot be distributed, disclosed, or produced in response to civil litigation subpoenas," and that "[t]he Commission should not permit the regulatory purpose and cost-reduction efforts of the CAT to be undermined by civil litigants seeking to repurpose this data for private gain"); Cboe Letter, supra note 32, at 2 (stating that "Rule 613 and the CAT NMS Plan require that CAT Data only be used for regulatory purposes and prohibit its use for commercial purposes, as well as by parties who are not regulators and in non-regulatory contexts – for example, by private litigants").

172 See Private Investor Coalition Letter, supra note 165, at 4 (recommending that "the regulatory purpose of the CAT be formally defined in Commission rules as limited to (1) cross-market order-level surveillance for specific categories of potential violations identified in the Commission's surveillance program, (2)

delineation suggested by this commenter could chill or prohibit otherwise appropriate regulatory use. However, the proposed rule provides examples of appropriate regulatory purposes, including market reconstruction and analyses, surveilling, examining, investigating, or enforcing compliance by its members and their associated persons with federal securities laws, the Commission's rules and regulations thereunder, and a national securities exchange or national securities association's own rules.

The CAT System is currently subject to a comprehensive information security program that subjects the SROs to various security and confidentiality requirements designed to appropriately constrain the use of CAT data, and the Commission intends to substantially maintain this program under the Proposal.[173] The access and use restrictions set forth in proposed Rule 17a-26 would therefore acknowledge the regulatory need for such data while maintaining security and confidentiality protections for such data consistent with existing requirements.

The Commission requests comment on proposed Rule 17a-26. Specifically, the Commission solicits comment on the following:

12. Should the Commission implement a reporting rule to replace current reporting requirements found in Rule 613, the CAT NMS Plan, and SRO CAT Compliance Rules, as set forth in proposed Rule 17a-26? Is it appropriate for the reporting rule to be designed to replicate existing reporting requirements? Why or why not?

13. Should proposed Rule 17a-26 include a preamble discussing the purpose of the rule and

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market reconstruction following significant market events, and (3) enforcement investigations in which order-level data across market venues is material to the investigation," and that "CAT data should not be used for general research, economic analysis, or any purpose other than those specified, without separate public notice and an opportunity for comment").

173 See, e.g., note 101 and associated text supra.

outlining limitations on use and access to information submitted pursuant to the proposed rule? If yes, what changes should be made to the proposed language, if any?

A. Definitions

Proposed Rule 17a-26(a) would define terms for the purposes of proposed Rule 17a-26. The definitions of proposed Rule 17a-26(a) are designed to provide clarity as to the reporting obligations proposed in the rule, while maintaining consistency with current definitions used in Rule 613, the CAT NMS Plan and SRO CAT Compliance Rules, unless otherwise noted.

Account Effective Date

Proposed Rule 17a-26(a)(1) would define the term Account Effective Date to mean: (1) with regard to those circumstances in which an Industry Member [defined by proposed Rule 17a-26(a)(24) as described below] has established a trading relationship with an institution but has not established an account with that institution, the date the Industry Member established the relationship identifier, which would be no later than the date the first order was received; (2) where an Industry Member changes back office providers or clearing firms or where an Industry Member acquires another Industry Member, the date an account was established at the relevant Industry Member, either directly or via transfer; (3) where there are multiple dates associated with an account, the earliest available date; and (4) with regard to Industry Member proprietary accounts the date established for the account in the Industry Member or in a system of the Industry Member or the date when proprietary trading began in the account (i.e., the date on which the first orders were submitted from the account). The proposed definition would state that the Account Effective Date will be no later than the date trading occurs at the Industry Member or in the Industry Member's system.

This definition differs from the definitions of "Account Effective Date" in Section 1.1 of the CAT NMS Plan and SRO CAT Compliance Rules, because those definitions address the

initial phased implementation approach of the CAT.[174] Because the CAT has been fully implemented, these changes to proposed Rule 17a-26(a)(1) are designed to streamline the definition without changing its meaning with respect to Industry Member reporting requirements. This would allow an Industry Member to report the same Account Effective Date as was reported prior to the initiation of reporting to the Commission or the Designee, as appropriate. Consistent with current requirements under the CAT NMS Plan, Account Effective Date is allowed to be reported in lieu of Date FDID Opened[175] in certain limited circumstances, and as proposed, would be an element of the Reference Data approach described in more detail below in Part IV.K.

Active Account

Proposed Rule 17a-26(a)(2) would define the term Active Account to mean an account that has had activity in Eligible Securities [defined by proposed Rule 17a-26(a)(20) as described below] within the last six months. This definition is identical to the definition in both the CAT NMS Plan and SRO CAT Compliance Rules.[176] Pursuant to the Reference Data approach, described in greater detail below in Part IV.K, each Industry Member would continue to be required pursuant to Rule 17a-26(k) to report certain information to the Commission or the Designee for each of its Customers with an Active Account(s). Consistent with existing reporting requirements pursuant to the CAT NMS Plan and SRO CAT Compliance Rules, defining Active Accounts would alleviate the need for Industry Members to update such information for "non-active accounts," while ensuring that the Commission or the Designee still

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174 See, e.g., FINRA Rule 6810(a). On April 20, 2020, the Commission granted conditional exemptive relief to allow for the implementation of phased Industry Member reporting to the CAT across five phases. See Securities Exchange Act Release No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020).

175 See proposed Rule 17a-26(a)(19), described in further detail below.

176 See, e.g., FINRA Rule 6810(b); CAT NMS Plan, supra note 3, Section 1.1.

receive such information for accounts that are active.

Allocation

Proposed Rule 17a-26(a)(3) would define the term Allocation to mean: (1) the placement of shares or contracts into the same account for which an order was originally placed; or (2) the placement of shares or contracts into an account based on allocation instructions (e.g., subaccount allocations, delivery versus payment ("DVP") allocations). The proposed definition is identical to the definition in SRO CAT Compliance Rules and is designed to have the same meaning and effect with respect to Industry Member reporting requirements.[177] Allocations are Reportable Events,[178] and consistent with existing reporting requirements under the CAT NMS Plan and SRO CAT Compliance Rules, and exemptive relief granted by the Commission,[179] Allocation Reports are required any time an Industry Member performs an Allocation to a Client Account, whether or not the Industry Member was the executing broker for the trade.[180] It is important for Industry Members to understand when these reporting requirements apply.

Allocation Report

Proposed Rule 17a-26(a)(4) would define the term Allocation Report to mean a report made to the Central Repository by an Industry Member that identifies the Firm Designated ID [or "FDID," defined by proposed Rule 17a-26(a)(21) as described below] for any account(s), including subaccount(s), to which executed shares/contracts are allocated and provides: (i) the security that has been allocated; (ii) the identifier of the firm reporting the allocation; (iii) the

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177 See, e.g., FINRA Rule 6810(c). There is no definition for "Allocation" in the CAT NMS Plan.

178 See proposed Rule 17a-26(a)(37) (defining "Reportable Event" to mean, among other things, the allocation of an order).

179 See Securities Exchange Act Release No. 90223 (Oct. 19, 2020), 85 FR 67576 (Oct. 23, 2020) ("Allocation Alternative Exemption").

180 See proposed Rule 17a-26(i)(2)(iv).

price per share/contract of shares/contracts allocated; (iv) the side of shares/contracts allocated; (v) the number of shares/contracts allocated to each account; (vi) the time of the allocation; (vii) Allocation ID, which is the internal allocation identifier assigned to the allocation event by the Industry Member; (viii) trade date; (ix) settlement date; (x) IB/correspondent CRD Number (if applicable); (xi) FDID of new order(s) (if available in the booking system); (xii) allocation instruction time (optional); (xiii) if account meets the definition of institution under FINRA Rule 4512(c); (xiv) type of allocation (allocation to a custody account, allocation to a DVP account, step-out, correspondent flip, allocation to a firm owned or controlled account, or other non-reportable transactions (e.g., option exercises, conversions)); (xv) for DVP allocations, custody broker-dealer clearing number (prime broker) if the custodian is a U.S. broker-dealer, DTCC number if the custodian is a U.S. bank, or a foreign indicator, if the custodian is a foreign entity; and (xvi) if an allocation was cancelled, a cancel flag indicating that the allocation was cancelled, and a cancel timestamp, which represents the time at which the allocation was cancelled; provided, for the avoidance of doubt, any such Allocation Report shall not be required to be linked to particular orders or executions.

The proposed definition of Allocation Report is identical to the definition of Allocation Report in SRO CAT Compliance Rules.[181] Rule 613(c)(7)(vi)(A) originally required the CAT NMS Plan to require each Industry Member to record and report to the Central Repository "the account number for any subaccounts to which [an] execution is allocated (in whole or in part)" for orders that are executed in whole or in part. The Participants subsequently requested and received exemptive relief from this requirement that enabled the Participants to implement an

[181] See, e.g., FINRA Rule 6810(d); The Nasdaq Stock Market Rules, General 7, Section 1(d).

"Allocation Alternative," which included a requirement to update SRO CAT Compliance Rules, including updating the definition of Allocation Report to include multiple new specific fields.[182] The proposed definition of Allocation Report is designed to be consistent with existing reporting requirements relating to allocations as implemented by the CAT NMS Plan, SRO CAT Compliance Rules and previously granted exemptive relief. Obtaining Allocation Report information is important because part of the goal of Rule 17a-26 would be to continue to obtain audit trail information for the full lifecycle of an order, including relevant details on how an order was ultimately allocated after execution.[183]

ATS

Proposed Rule 17a-26(a)(5) would define the term ATS to mean an alternative trading system, as defined in Rule 300(a)(1) of Regulation ATS under the Exchange Act. It is identical to the definition in SRO CAT Compliance Rules[184] and is necessary to differentiate between Industry Members that operate an ATS and Industry Members that are not operating an ATS, as Industry Members that operate an ATS have different reporting requirements.[185]

Business Clock

Proposed Rule 17a-26(a)(6) would define the term Business Clock to mean a clock used to record the date and time of any Reportable Event required to be reported under this section. It

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182 See 17 CFR 242.613(c)(7)(vi)(A); Securities Exchange Act Release No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016); Allocation Alternative Exemption, supra note 179.

183 See, e.g., note 294 and associated text infra for further discussion of the regulatory need for access to information about full order lifecycles.

184 See, e.g., FINRA Rule 6810(e). There is no definition for "ATS" in the CAT NMS Plan.

185 See, e.g., proposed Rule 17a-26(i)(1)(i)(K) (additional required details for the original receipt or origination of an order for an Industry Member that operates an ATS); proposed Rule 17a-26(i)(1)(iii)(J) (additional required details for the receipt of an order that has been routed for an Industry Member that operates an ATS); proposed Rule 17a-26(i)(4) (reporting requirements for Industry Members that operate an ATS that trades OTC Equity Securities).

is substantively identical to the definition in Section 1.1 of the CAT NMS Plan, and to SRO CAT Compliance Rules,[186] but replaces references to Rule 613 or to SRO CAT Compliance Rules with a reference to proposed Rule 17a-26. Consistent with existing reporting requirements under Rule 613 and the CAT NMS Plan, "Business Clocks" are proposed to be used by CAT Reporters to record dates and times when recording and reporting the date and time of various Reportable Events to the Central Repository.[187]

CAT-Order-ID

Proposed Rule 17a-26(a)(7) would define the term CAT-Order-ID to mean a unique order identifier or series of unique order identifiers that allows the Central Repository [defined by proposed Rule 17a-26(a)(13) below] to efficiently and accurately link all Reportable Events for an order, and all orders that result from the aggregation or disaggregation of such order. This proposed definition is identical with the definition currently used for reporting to the CAT, as it is identical to the definition in the SRO CAT Compliance Rules and Rule 613(j)(1),[188] and Section 1.1 of the CAT NMS Plan defines "CAT-Order-ID" by referencing Rule 613(j)(1).

The Commission anticipates that the "daisy chain approach" would continue to be used to link and reconstruct the complete lifecycle of each Reportable Event in CAT, as is done today pursuant to the CAT NMS Plan.[189] According to this approach, CAT Reporters are obligated to assign and report an identifier for each order event, and the Plan Processor later applies a single

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186 See, e.g., FINRA Rule 6810(f) (defining "Business Clock" to mean "a clock used to record the date and time of any Reportable Event required to be reported under this Rule Series").

187 See infra Part IV.C (Clock Synchronization and Business Clocks); proposed Rule 17a-26(c).

188 See, e.g., FINRA Rule 6810(i); 17 CFR 242.613(j)(1).

189 Proposed Rule 17a-26(h)(1)(vi) would require national securities exchanges and national securities associations to report "any information or data needed by the Central Repository to link and/or create an order event lifecycle using a daisy chain approach," and proposed Rule 17a-26(i)(1)(vi) would require the same from Industry Members. See also infra Part IV.H and Part IV.I.

identifier, the CAT-Order-ID, to all order events pertaining to the same order, linking the Reportable Events related to the same order. Pursuant to proposed Rule 17a-26(h) and (i), discussed further below in Part IV.H and Part IV.I, and consistent with existing CAT NMS Plan requirements, CAT-Order-ID would be required to allow for this linkage.

CAT-Reporter-ID

Proposed Rule 17a-26(a)(8) would define the term CAT-Reporter-ID to mean, with respect to each national securities exchange, national securities association, and member of a national securities exchange or national securities association, a code that uniquely and consistently identifies such person for purposes of providing data to the Central Repository. This proposed definition is identical to the definition in Rule 613(j)(2)[190] and Section 1.1 of the CAT NMS Plan.

The Commission anticipates that, like current practice under the CAT NMS Plan,[191] unique CAT-Reporter-IDs will continue to be assigned to identify CAT Reporters for all reports submitted to the Commission or the Designee. A code that uniquely and persistently identifies CAT Reporters will allow for reliable identification of CAT Reporters within the Central Repository, thus enabling analysis of a particular CAT Reporter's trading activity across markets.

CAT Reporter

Proposed Rule 17a-26(a)(9) would define the term CAT Reporter to mean each national

190 See 17 CFR 242.613(j)(2).

191 See CAT NMS Plan, supra note 3, Appendix D, Section 3 (stating that the Central Repository must be able to, among other things, assign a unique CAT-Reporter-ID to all reports submitted to the system based on sub-identifiers, (e.g., MPIDs, ETPID, trading mnemonic) currently used by CAT Reporters in their order handling and trading processes).

securities exchange, national securities association, and Industry Member that is required to record and report information to the Central Repository pursuant to this section. This proposed definition is substantively identical to that in the CAT NMS Plan,[192] but replaces a reference to Rule 613(c). The definition of CAT Reporter is used for all market participants that have a requirement to report under the proposed rule and quickly identifies that a reporting requirement applies to all reporters—not just a subset of them like Industry Members.[193]

CAT Reporting Agent

Proposed Rule 17a-26(a)(10) would define the term CAT Reporting Agent to mean a third party that enters into an agreement with an Industry Member pursuant to which the CAT Reporting Agent agrees to fulfill such Industry Member's reporting obligations under this section. This proposed definition is substantively identical to the definition in the SRO CAT Compliance Rules, but replaces a reference to the SRO CAT Compliance Rules.[194]

CCID Generation Data

Proposed Rule 17a-26(a)(11) would define the term CCID Generation Data to mean the Transformed Identifier and Transformed Identifier Type.[195] This proposed definition is identical to the definition of CCID Generation Data within the CAT NMS Plan.[196] As discussed in greater detail in Part IV.K below, CCID Generation Data is a definition related to Reference Data.

CCID Transaction Enrichment Data

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192 See CAT NMS Plan, supra note 3, Section 1.1 (defining "CAT Reporter" to mean each national securities exchange, national securities association and Industry Member that is required to record and report information to the Central Repository pursuant to SEC Rule 613(c)).

193 See, e.g., proposed Rule 17a-26(b) (Applicable Securities); proposed Rule 17a-26(d) (Timestamps).

194 See, e.g., FINRA Rule 6810(j).

195 As described below, Transformed Identifier and Transformed Identifier Type are proposed to be defined in proposed Rule 17a-26(a)(42) and (43), respectively.

196 See CAT NMS Plan, supra note 3, Section 1.1.

Proposed Rule 17a-26(a)(12) would define the term CCID Transaction Enrichment Data to mean the Firm Designated ID, Date FDID Opened, Date FDID Closed, Customer Role Start Date, and Customer Role End Date.[197] This proposed definition is identical to the definition in the CAT NMS Plan.[198] As discussed in greater detail in Part IV.K below, CCID Transaction Enrichment Data is a definition related to Reference Data.

Central Repository

Proposed Rule 17a-26(a)(13) would define the term Central Repository to mean the repository responsible for the receipt, consolidation, and retention of all information reported to the Commission or Designee pursuant to this section. Accordingly, with the adoption and implementation of proposed Rule 17a-26, the Commission or the Designee would become the recipient of, and responsible for, data collected by the Central Repository. The definition of the term Central Repository in Proposed Rule 17a-26(a)(13) is substantially identical to the definition of Central Repository in the CAT NMS Plan,[199] and SRO CAT Compliance Rules,[200] but refers to Rule 17a-26 instead of Rule 613 and the CAT NMS Plan. As discussed elsewhere, the Commission preliminarily intends for the reporting requirements to remain substantially the same.

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197 Each defined term in proposed Rule 17a-26(a)(12) is defined elsewhere in proposed Rule 17a-26(a) and discussed in greater detail elsewhere in Part IV.A. See proposed Rule 17a-26(a)(16) (Customer Role End Date); proposed Rule 17a-26(a)(17) (Customer Role Start Date); proposed Rule 17a-26(a)(18) (Date FDID Closed); proposed Rule 17a-26(a)(19) (Date FDID Opened); proposed Rule 17a-26(a)(21) (Firm Designated ID).

198 See CAT NMS Plan, supra note 3, Section 1.1.

199 See CAT NMS Plan, supra note 3, Section 1.1 (defining "Central Repository" to mean the repository responsible for the receipt, consolidation, and retention of all information reported to the CAT pursuant to SEC Rule 613 and this Agreement).

200 See, e.g., FINRA Rule 6810(k) (defining "Central Repository" to mean the repository responsible for the receipt, consolidation, and retention of all information reported to the CAT pursuant to Rule 613 of SEC Regulation NMS and the CAT NMS Plan).

Client Account

Proposed Rule 17a-26(a)(14) would define the term Client Account to mean, for the purposes of an Allocation and Allocation Report, any account or subaccount that is not owned or controlled by the Industry Member. This proposed definition is identical to the definition in the SRO CAT Compliance Rules.[201] Currently, pursuant to the Allocation Alternative Exemption, as implemented through SRO CAT Compliance Rules, an Allocation Report is required any time an Industry Member performs an Allocation to a Client Account, whether or not the Industry Member was the executing broker for the trade.[202] The Commission intends for proposed Rule 17a-26(i)(2)(vi) (discussed below in Part IV.I) to require Allocation Reports with the same substance and reported in the same situations as currently required.

Customer

Proposed Rule 17a-26(a)(15) would define the term Customer to mean: (i) the account holder(s) of the account at an Industry Member originating the order; and (ii) any person from whom the Industry Member is authorized to accept trading instructions for such account, if different from the account holder(s). The proposed definition of Customer is identical as the definition in SRO CAT Compliance Rules,[203] Rule 613(j)(3) and the CAT NMS Plan.[204] As discussed below in Part IV.K, pursuant to the Reference Data Approach, Industry Members are required to submit to the Central Repository certain information related to their Customers, and the Commission intends to maintain those reporting requirements. Accordingly, the definition of Customer is proposed here to make it clear when those reporting requirements would apply

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201 See, e.g., FINRA Rule 6810(l).

202 See, e.g., FINRA Rule 6830(a)(2)(F).

203 See, e.g., FINRA Rule 6810(n).

204 See 17 CFR 242.613(j)(3); CAT NMS Plan, supra note 3, Section 1.1 (defining Customer to have the same meaning provided in Rule 613(j)(3)).

under proposed Rule 17a-26.

Customer Role End Date

Proposed Rule 17a-26(a)(16) would define the term Customer Role End Date to mean the date the Customer is no longer associated with the relevant account for the order. This proposed definition is identical to the definition in the CAT NMS Plan.[205] As discussed in greater detail in Part IV.K below, Customer Role End Date is a definition related to Reference Data.

Customer Role Start Date

Proposed Rule 17a-26(a)(17) would define the term Customer Role Start Date to mean the date the Customer became associated with the relevant account for the order. This proposed definition is identical to the definition in the CAT NMS Plan.[206] As discussed in greater detail in Part IV.K below, Customer Role Start Date is a definition related to Reference Data.

Date FDID Closed

Proposed Rule 17a-26(a)(18) would define the term Date FDID Closed to mean the date the relevant account for the order was closed (or relationship or entity identifier was ended) at the Industry Member. This proposed definition is identical to the definition in the CAT NMS Plan.[207] As discussed in greater detail in Part IV.K below, Date FDID Closed is a definition related to Reference Data.

Date FDID Opened

Proposed Rule 17a-26(a)(19) would define the term Date FDID Opened to mean the date the relevant account for the order was opened; except, however, that (i) in those circumstances in which an Industry Member has established a trading relationship with an institution but has not

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205 See CAT NMS Plan, supra note 3, Section 1.1.

206 See id.

207 See id.

established an account with that institution, the Industry Member will provide the Account Effective Date in lieu of the Date FDID Opened; and (ii) in those circumstances in which the relevant account was established prior to the time the Industry Member begins reporting to the Central Repository and no "date account opened" is available for the account, the Industry Member will provide the Account Effective Date in the following circumstances: (A) where an Industry Member changes back office providers or clearing firms and the date account opened is changed to the date the account was opened on the new back office/clearing firm system; (B) where an Industry Member acquires another Industry Member and the date account opened is changed to the date the account was opened on the post-merger back office/clearing firm system; (C) where there are multiple dates associated with an account in an Industry Member's system, and the parameters of each date are determined by the individual Industry Member; and (D) where the relevant account is an Industry Member proprietary account. This proposed definition is substantively identical to the definition in the CAT NMS Plan, but replaces references to the CAT NMS Plan's implementation date and a reference to "CAT" with "Central Repository."[208] As discussed in greater detail in Part IV.K below, Date FDID Opened is a definition related to Reference Data and is necessary for implementation of the Reference Data Approach in a manner consistent to what is currently done pursuant to the CAT NMS Plan.

Eligible Security

Proposed Rule 17a-26(a)(20) would define the term Eligible Security to mean (1) all NMS Securities and (2) all OTC Equity Securities.[209] This definition is identical to the definition

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208 See id.

209 As described below, NMS Security and OTC Equity Security are proposed to be defined in proposed Rule 17a-26(a)(29) and (33), respectively.

in the CAT NMS Plan and the SRO CAT Compliance Rules.[210] Consistent with existing CAT reporting requirements, Rule 17a-26 would apply only to Reportable Events in Eligible Securities. This proposed definition continues to exclude from required reporting other, non-defined tradeable financial assets, such as forwards, futures, swaps, and debt securities. The applicable securities subject to the proposed rule are discussed in greater detail below in Part IV.B.

Firm Designated ID

Proposed Rule 17a-26(a)(21) would define the term Firm Designated ID to mean: (1) a unique and persistent identifier for each trading account designated by Industry Members for purposes of providing data to the Central Repository, provided, however, such identifier may not be the account number for such trading account if the trading account is not a proprietary account; (2) a unique and persistent relationship identifier when an Industry Member does not have an account number available to its order handling and/or execution system at the time of order receipt, provided, however, such identifier must be masked; or (3) a unique and persistent entity identifier when an employee of an Industry Member is exercising discretion over multiple client accounts and creates an aggregated order for which a trading account number of the Industry Member is not available at the time of order origination where each such identifier is unique among all identifiers from any given Industry Member. This proposed definition is identical to the definition in the CAT NMS Plan and SRO CAT Compliance Rules.[211]

Consistent with existing reporting requirements under CAT NMS Plan and SRO CAT Compliance Rules, FDIDs would be required to be reported for the original receipt or origination

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210 See, e.g., CAT NMS Plan, supra note 3, Section 1.1; FINRA Rule 6810(r).

211 See, e.g., FINRA Rule 6810(t); CAT NMS Plan, supra note 3, Section 1.1.

of an order pursuant to proposed Rule 17a-26(h)(1)(i) and proposed Rule 17a-26(i)(1)(i), and as part of Reference Data submitted pursuant to proposed Rule 17a-26(k), discussed in greater detail below in Parts IV.H, IV.I, and IV.K, respectively. FDIDs are unique identifiers provided by an Industry Member and a single firm may not have multiple separate customers with the same identifier on any given date.

Foreign TID Country Code

Proposed Rule 17a-26(a)(22) would define the term Foreign TID Country Code to mean the country that issued the foreign identifier used to create the Transformed Identifier. The proposed definition is identical to the definition in the CAT NMS Plan.[212] As discussed in greater detail in Part IV.K below, Foreign TID Country Code is a definition related to Reference Data.

Foreign TID Type

Proposed Rule 17a-26(a)(23) would define the term Foreign TID Type to mean, for foreign customers, the type of foreign identifier used to create the Transformed Identifier (e.g., passport, Legal Entity Identifier ("LEI"), or driver's license). The proposed definition is identical to the definition in the CAT NMS Plan.[213] As discussed in greater detail in Part IV.K below, Foreign TID Type is a definition related to Reference Data.

Industry Member

Proposed Rule 17a-26(a)(24) would define the term Industry Member to mean a member of a national securities exchange or a member of a national securities association that is required to record and report information pursuant to this section. This proposed definition is

212 See CAT NMS Plan, supra note 3, Section 1.1.

213 See id.

substantively identical to the definition of Industry Member in SRO CAT Compliance Rules, but would specify that only those persons required to record and report information under Rule 17a-26 would be "Industry Members" and replace references to the CAT NMS Plan and SRO CAT Compliance Rules with a reference to proposed Rule 17a-26.[214] Specifying that the definition of Industry Member applies only to those required to record and report information pursuant to proposed Rule 17a-26 would clarify that any members of a national securities exchange or a member of a national securities association that do not handle orders in Eligible Securities are not subject to CAT reporting requirements.

Industry Member Data

Proposed Rule 17a-26(a)(25) would define the term Industry Member Data to mean the information required to be recorded and reported pursuant to paragraphs (i)(1) and (i)(2) of proposed Rule 17a-26. The proposed definition is substantively identical to the definition of Industry Member Data in SRO CAT Compliance Rules[215] and differentiates "Industry Member Data" from other data submitted to or ingested by the Central Repository, such as data submitted by national securities exchanges and national securities associations.

Listed Option or Option

Proposed Rule 17a-26(a)(26) would define the term Listed Option or Option to have the

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214 See, e.g., FINRA Rule 6810(u) (defining Industry Member to mean "a member of a national securities exchange or a member of a national securities association that is required to record and report information pursuant to the CAT NMS Plan and this Rule 6800 Series"). The proposed definition is also substantively identical to the definition of "Industry Member" in the CAT NMS Plan, but the definition of "Industry Member" in Section 1.1 of the CAT NMS Plan has no reference to the CAT NMS Plan and SRO CAT Compliance Rules. See CAT NMS Plan, supra note 3, Section 1.1 (defining Industry Member to mean "a member of a national securities exchange or a member of a national securities association).

215 See, e.g., FINRA Rule 6810(v). The definition of Industry Member Data in the SRO CAT Compliance Rules has the same substantive meaning as the definition set forth in Section 1.1. of the CAT NMS Plan, which refers to the information set forth in Section 6.4(d)(ii) of the CAT NMS Plan.

meaning set forth in Rule 600(b) of Regulation NMS,[216] which is substantively identical to the definition in the CAT NMS Plan and the SRO CAT Compliance Rules, but with a cross-reference to Rule 600(b) of Regulation NMS instead of to Rule 600(b)(35) of Regulation NMS.[217]

Manual Order Event

Proposed Rule 17a-26(a)(27) would define the term Manual Order Event to mean a non-electronic communication of order-related information for which CAT Reporters must record and report the time of the event. This is identical to the definition of Manual Order Event in Section 1.1 of the CAT NMS Plan, and substantively identical to the definition of Manual Order Event in SRO CAT Compliance Rules, but with a reference to "Industry Members" replaced with "CAT Reporters."[218] This definition continues to differentiate Manual Order Events from other reportable events, including as to clock synchronization and timestamp requirements for Manual Order Events that differ from other Reportable Events.[219]

Material Terms of the Order

Proposed Rule 17a-26(a)(28) would define the term Material Terms of the Order to include, the NMS Security or OTC Equity Security symbol; security type; price (if applicable); size (displayed and non-displayed); side (buy/sell); order type; if a sell order, whether the order is long, short, short exempt; open/close indicator (except on transactions in equities); time in force (if applicable); if the order is for a Listed Option, option type (put/call), option symbol or

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216 See 17 CFR 242.600(b)(52).

217 See, e.g., FINRA Rule 6810(y); CAT NMS Plan, supra note 3, Section 1.1. The definition of "Listed Option" or "Option" in Section 1.1 of the CAT NMS Plan references Rule 600(b)(35) of Regulation NMS, but since the approval of the definition of the CAT NMS Plan the definition for "listed option" has been redesignated to Rule 600(b)(52). See 17 CFR 242.600(b)(52).

218 See, e.g., FINRA Rule 6810(z).

219 See infra Parts IV.C (Clock Synchronization and Business Clocks) and IV.D (Timestamps).

root symbol, underlying symbol, strike price, expiration date, and open/close (except on market maker quotations); and any special handling instructions. This is identical to the definition of Material Terms of the Order in Section 1.1 of the CAT NMS Plan and SRO CAT Compliance Rules.[220] Consistent with existing CAT reporting requirements, proposed Rule 17a-26 will continue to require CAT Reporters to record and report to the Central Repository Material Terms of the Order with certain Reportable Events.

NMS Security

Proposed Rule 17a-26(a)(29) would define the term NMS Security to mean any security or class of securities for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan, or an effective national market system plan for reporting transactions in Listed Options. This definition is identical to the definition in the CAT NMS Plan and SRO CAT Compliance Rules.[221] NMS Securities are one of the types of Eligible Securities that would continue to be required to be reported to the CAT.

Options Exchange

Proposed Rule 17a-26(a)(30) would define the term Options Exchange to mean a registered national securities exchange or automated trading facility of a registered securities association that trades Listed Options. This is identical to the definition in the CAT NMS Plan.[222] The term Options Exchange is, consistent with reporting under the CAT NMS Plan now, relevant to implementation of previously granted exemptive relief allowing Options Market Makers, defined below, to report only quote sent time for certain Reportable Events, with

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220 See, e.g., FINRA Rule 6810(aa); CAT NMS Plan, supra note 3, Section 1.1.

221 See, e.g., FINRA Rule 6810(bb); CAT NMS Plan, supra note 3, Section 1.1.

222 See CAT NMS Plan, supra note 3, Section 1.1.

Options Exchanges required to report the quote sent time to the Central Repository on behalf of the Options Market Maker.[223]

Options Market Maker

Proposed Rule 17a-26(a)(31) would define the term Options Market Maker to mean a broker-dealer registered with an exchange for the purpose of making markets in options contracts traded on the exchange. This definition is identical to the definition in the CAT NMS Plan and SRO CAT Compliance Rules.[224] Like the term Options Exchange above, this term will continue to be relevant to previously granted exemptive relief allowing Options Market Makers to report only quote sent time for certain Reportable Events.[225]

Order or order

Proposed Rule 17a-26(a)(32) would define the term Order or order, with respect to Eligible Securities, to include: (i) any order received by an Industry Member from any person; (ii) any order originated by an Industry Member; or (iii) any bid or offer. This is substantively identical to the definition of "Order" or "order" in Rule 613(j)(8), the CAT NMS Plan, and SRO CAT Compliance Rules,[226] except with "Industry Member" replacing "member of a national securities exchange or national securities association."[227] The definition of order will continue to relate to the scope of reporting obligations under proposed Rule 17a-26.

OTC Equity Security

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223 This is discussed in greater detail below in Parts IV.H.3 and IV.I.3.

224 See, e.g., FINRA Rule 6810(ee); CAT NMS Plan, supra note 3, Section 1.1.

225 This is discussed in greater detail below in Parts IV.H.3 and IV.I.3.

226 See, e.g., FINRA Rule 6810(ff); CAT NMS Plan, supra note 3, Section 1.1.

227 See 17 CFR 242.613(j)(8); FINRA Rule 6810. Section 1.1 of the CAT NMS Plan defines "Order" or "order" to mean, with respect to Eligible Securities, the meaning set forth in Rule 613(j)(8).

Proposed Rule 17a-26(a)(33) would define the term OTC Equity Security to mean any equity security, other than an NMS Security, subject to prompt last sale reporting rules of a registered national securities association and reported to one of such association's equity trade reporting facilities. This proposed definition is identical to the definition in the CAT NMS Plan and the SRO Compliance Rules,[228] and will differentiate OTC Equity Securities from other Eligible Securities, as reporting requirements for Industry Members that trade OTC Equity Securities can differ from reporting requirements from other Eligible Securities.[229]

Received Industry Member Data

Proposed Rule 17a-26(a)(34) would define the term Received Industry Member Data to mean the information required to be recorded and reported pursuant to paragraph (i)(2) of this section. This definition is substantively identical to the definition of the term Received Industry Member Data in the SRO CAT Compliance Rules, except it refers to paragraph (i)(2) of proposed Rule 17a-26.[230] The definition will continue to differentiate data that is received by an Industry Member versus data that is recorded by an Industry Member and is thus subject to a different reporting deadline.

Recorded Industry Member Data

Proposed Rule 17a-26(a)(35) would define the term Recorded Industry Member Data to mean the information required to be recorded and reported pursuant to paragraph (i)(1) of proposed Rule 17a-26. This definition is substantively identical to the definition of the term Recorded Industry Member Data in the SRO CAT Compliance Rules, except it refers to

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228 See, e.g., FINRA Rule 6810(gg); CAT NMS Plan, supra note 3, Section 1.1.

229 See proposed Rule 17a-26(i)(4) (reporting requirements for Industry Members that operate an ATS that trades OTC Equity Securities).

230 See, e.g., FINRA Rule 6810(kk); CAT NMS Plan, supra note 3, Section 1.1.

paragraph (i)(1) of proposed Rule 17a-26.[231] The definition is used to differentiate data that is recorded by an Industry Member versus data that is received by an Industry Member, and thus subject to a different reporting deadline pursuant to proposed Rule 17a-26(f)(2)(i).

Reference Data

Proposed Rule 17a-26(a)(36) would define the term Reference Data to mean CCID Generation Data, CCID Transaction Enrichment Data, customer type, account type, clearing broker, branch office, registered representative, and individual's role in the account. The proposed definition is identical to the definition of Reference Data in the CAT NMS Plan.[232] As discussed in greater detail in Part IV.K below, this definition will continue to relate to the Reference Data Approach in a manner consistent to the current CAT NMS Plan.

Reportable Event

Proposed Rule 17a-26(a)(37) would define the term Reportable Event to include, but not be limited to, the original receipt or origination, modification, cancellation, routing, execution (in whole or in part) and allocation of an order, and receipt of a routed order. This is identical to the definition in the CAT NMS Plan and SRO CAT Compliance Rules.[233] Consistent with existing requirements, proposed Rule 17a-26 will continue to require each CAT Reporter to record and electronically report to the Central Repository certain details for each Reportable Event.

SRO

Proposed Rule 17a-26(a)(38) would define the term SRO to mean any self-regulatory organization within the meaning of Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26)).

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231 See, e.g., FINRA Rule 6810(ll); CAT NMS Plan, supra note 3, Section 1.1.

232 See CAT NMS Plan, supra note 3, Section 1.1.

233 See, e.g., FINRA Rule 6810(mm); CAT NMS Plan, supra note 3, Section 1.1.

This proposed definition is substantively identical to the definition of SRO in Section 1.1 of the CAT NMS Plan and SRO CAT Compliance Rules, except that a citation to the Exchange Act provision is proposed to be added.[234] Consistent with existing CAT reporting requirements, proposed Rule 17a-26 will continue to reference SRO rules and the obligations Industry Members may or may not have pursuant to those SRO rules.[235]

SRO-Assigned Market Participant Identifier

Proposed Rule 17a-26(a)(39) would define the term SRO-Assigned Market Participant Identifier to mean an identifier assigned to an Industry Member by an SRO, or an identifier used by an SRO. This definition is substantively identical to the definitions in the CAT NMS Plan and the SRO CAT Compliance Rules,[236] but replaces references to the "Participant" with "SRO."

This definition clarifies the reporting requirements of Rule 17a-26(h) and (i), which allow for the reporting of existing SRO identifiers by CAT Reporters to facilitate the assignment of a unique CAT-Reporter-ID to each CAT Reporter associated with an order or Reportable Event. As proposed, CAT Reporters could, like today, continue to use existing SRO-Assigned Market Participant Identifiers (e.g., market participant identifiers, mnemonics, or user acronyms) when reporting order information to the Commission or the Designee. For the Central Repository to link SRO-Assigned Market Participant Identifiers to unique CAT-Reporter-IDs used to identify Industry Members, pursuant to proposed Rule 17a-26(h)(2), national securities exchanges and national securities associations would be required to submit to the Central Repository, on a daily basis, all SRO-Assigned Market Participant Identifiers used by its Industry Members or itself and information to identify each such Industry Member.

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234 See, e.g., FINRA Rule 6810(nn); CAT NMS Plan, supra note 3, Section 1.1.

235 See proposed Rule 17a-26(i)(2)(v).

236 See, e.g., FINRA Rule 6810(oo); CAT NMS Plan, supra note 3, Section 1.1.

Technical Specifications

Proposed Rule 17a-26(a)(40) would define the term Technical Specifications to mean technical specifications that provide detailed instructions regarding the submission of data to the Commission or the Designee for entry into the Central Repository and that are made available on a publicly available website maintained by the Commission or the Designee. This definition is similar in part to Section 6.9(a) of the CAT NMS Plan, which states that Technical Specifications will, among other things, be published by the Plan Processor and made available on a publicly available web site to be developed and maintained by the Plan Processor. Unlike that provision, proposed Rule 17a-26(a)(40) would not reference Appendices of the CAT NMS Plan or discuss the need for a supermajority vote by the CAT NMS Plan Operating Committee.[237]

The definition specifies the matters the Technical Specifications are to address and makes clear that they are to be made available on a public website as they are today. The Commission expects to, initially, maintain existing requirements for the Technical Specifications if proposed Rule 17a-26 is adopted. This includes the content of the Technical Specifications, which Section 6.9(b) of the CAT NMS Plan specifies shall include: (i) the specifications for the layout of files and records submitted to the Central Repository; (ii) the process for the release of new data format specification changes; (iii) the process for industry testing for any changes to data format specifications; (iv) the procedures for obtaining feedback about and submitting corrections to information submitted to the Central Repository; (v) each data element, including permitted values, in any type of report submitted to the Central Repository; (vi) any error messages generated by the Plan Processor in the course of validating the data; (vii) the process for file submissions (and re-submissions for corrected files); (viii) the storage and access requirements

[237] See CAT NMS Plan, supra note 3, Section 6.9(a).

for all files submitted; (ix) metadata requirements for all files submitted to the CAT System; (x) any required secure network connectivity; (xi) data security standards, which shall, at a minimum: (A) satisfy all applicable regulations regarding database security, including provisions of Regulation Systems Compliance and Integrity under the Exchange Act ("Reg SCI"); (B) to the extent not otherwise provided for under this Agreement (including Appendix C to the CAT NMS Plan), set forth such provisions as may be necessary or appropriate to comply with SEC Rule 613(e)(4); and (C) comply with industry best practices; and (xii) any other items reasonably deemed appropriate by the Plan Processor and approved by the Operating Committee.

While the Commission intends to initially maintain the Technical Specifications upon implementation of proposed Rule 17a-26, if it should be adopted, the Commission is aware of Industry Member suggestions and concerns with the current Technical Specifications, and the Commission encourages continued collaboration between CAT LLC, FINRA CAT, the Participants and Industry Members in addressing these suggestions and concerns.[238] The Commission anticipates, if proposed Rule 17a-26 is adopted, that it and/or the Designee will collaborate with the SROs and Industry Members in addressing issues and suggestions for changes to the Technical Specifications, and understands that some of the outstanding issues and suggestions raised in comment letters may be addressed by updates to the Technical Specifications before proposed Rule 17a-26 is adopted.

Trading Day

238 See, e.g., FIF Letter, supra note 86, at 15-16 (discussing trading session and time in force fields), 18 (discussing alignment with FIX and other reporting protocols, and reporting based on books and records), 18-21 (discussing options trading floor reporting scenarios), 21-22 (discussing pre-IPO and pre-corporate action orders); Robinhood Letter, supra note 67, at 10 (stating that "CAT reporting obligations should align directly with the primary business records that broker-dealers are required to generate and maintain under Exchange Act Rules 17a-3 and 17a-4," and that "firms are sometimes forced to fabricate or derive values for CAT fields that have no direct counterpart in their actual books and records").

Proposed Rule 17a-26(a)(41) would define the term Trading Day to mean, for purposes of reporting by Industry Members, as the period beginning immediately after 4:15 p.m. and no fractions of a second Eastern Time on one trade date and ending at exactly 4:15 p.m. and no fractions of a second Eastern Time on the next trade date, except that a Trading Day which is also an early close will end 15 minutes after market close. The proposed definition would also state that the term Trading Day shall mean, for purposes of reporting by national securities exchanges and national securities associations, as the period beginning at 8:00 p.m. Eastern Time on the calendar day immediately preceding regular trading hours (as defined in Rule 600(b) of Regulation NMS) and ending at 8:00 p.m. Eastern Time on the same calendar day as regular trading hours (as defined in Rule 600(b) of Regulation NMS). The proposed definition would state that weekends or any day that all equities or options national securities exchanges are closed or regular trading hours (as defined in Rule 600(b) of Regulation NMS) do not occur are not considered a Trading Day.

The definition of "Trading Day" in the CAT NMS Plan and SRO CAT Compliance Rules leaves discretion to the Operating Committee to determine what Trading Day means.[239] Proposed Rule 17a-26(a)(41) would define Trading Day based on the existing determination of the Operating Committee, as articulated in technical specifications approved by the Operating Committee.[240] The definition of Trading Day will continue to be relevant for the timing of

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239 Section 1.1 of the CAT NMS Plan defines "Trading Day" to have such meaning as is determined by the Operating Committee, and states that, for the avoidance of doubt, "the Operating Committee may establish different Trading Days for NMS Stocks (as defined in SEC Rule 600(b)(47)), Listed Options, OTC Equity Securities, and any other securities that are included as Eligible Securities from time to time." See also FINRA Rule 6810(qq).

240 See CAT Reporting Technical Specifications for Industry Members, Version 4.2.0r1, dated June 26, 2026, available at: https://catnmsplan.com/sites/default/files/2026-06/06.26.26_CAT_Reporting_Technical_Specifications_for_Industry_Members_v4.2.0r1_CLEAN.pdf ("Industry Member Technical Specifications"), at 294; CAT Reporting Technical Specifications for Plan Participants, dated Sept. 17, 2026, available at: https://catnmsplan.com/sites/default/files/2026-

recording and reporting, and more specifically deadlines for reporting information to the Central Repository pursuant to proposed Rule 17a-26(f), discussed below in Part IV.F.

Transformed Identifier or TID

Proposed Rule 17a-26(a)(42) would define the term Transformed Identifier or TID to mean a transformed version of the input used to identify unique Customers, where such inputs may include, but are not limited to, individual tax payer identification number ("ITIN") or social security number ("SSN"), Employer Identification Number ("EIN," including QI-EIN, WP-EIN, and WT-EIN), or certain foreign identifiers. This definition is substantively identical to the definition in the CAT NMS Plan but removes certain acronyms.[241] As discussed in greater detail in Part IV.K below, this definition will continue to relate to the Reference Data Approach.

Transformed Identifier Type or TID Type

Proposed Rule 17a-26(a)(43) would define the term Transformed Identifier Type or TID Type to mean type of identifier used to create the Transformed Identifier (e.g., SSN/ITIN, EIN or foreign identifier). This definition is identical to the definition in the CAT NMS Plan.[242] As discussed in greater detail in Part IV.K below, this definition will continue to relate to the Reference Data Approach.

09/09.17.2026-CAT_Reporting_Technical_Specifications_for_Participants-4.4.0.pdf ("Participant Technical Specifications"), at Appendix D. See also CAT FAQ C1, "How has the Operating Committee defined 'Trading Day,'" available at: https://www.catnmsplan.com/faq/c1. The Industry Member Technical Specifications state that "the Trading Day definition for Participants . . . starts on 1 millisecond from 12:00AM of T, and ends at 12:00AM of T+1," but this is inconsistent with what is in the Participant Technical Specifications, which states that "CAT Trading Day means the period beginning at 8:00 p.m. Eastern Time on the calendar day immediately preceding Regular Trading Hours and ending at 8:00 p.m. Eastern Time on the same calendar day as Regular Trading Hours." See Industry Member Technical Specifications, at 294 n.14; Participant Technical Specifications, at 282. Proposed Rule 17a-26(a)(41) would be consistent with the Participant Technical Specifications.

241 See CAT NMS Plan, supra note 3, Section 1.1.

242 See id.

Existing Definitions Not Included

The Commission is proposing to only include existing definitions in the CAT NMS Plan and SRO CAT Compliance Rules necessary to maintain existing reporting requirements. From the CAT NMS Plan, among other definitions that the Commission is not proposing in a Commission reporting rule, are definitions relating to the initial process of soliciting bids for and choosing a Plan Processor,[243] the initial implementation of the CAT,[244] management of the CAT NMS Plan itself and operation of the CAT under the CAT NMS Plan,[245] and definitions that are otherwise not necessary.[246] From SRO CAT Compliance Rules, the terms CAT, CAT NMS Plan, Compliance Threshold, Customer Account Information, Customer Identifying Information, Data Submitter, Error Rate, Initial Plan Processor, Introducing Industry Member, NMS Stock, Operating Committee, Plan Processor, and Small Industry Member are not in proposed Rule 17a-

243 See CAT NMS Plan, supra note 3, Section 1.1 (defining Bid, Bidder, Bidding Participant, Initial Plan Processor, Non-SRO Bid, Qualified Bid, Qualified Bidder, RFP, Selection Committee, Selection Plan, Shortlisted Bid, Shortlisted Bidder).

244 See CAT NMS Plan, supra note 3, Section 1.1 (defining Effective Date, Financial Accountability Milestone, FINRA, Fiscal Year, FS-ISAC, Full Availability and Regulatory Utilization of Transaction Database Functionality, Full Implementation of CAT NMS Plan Requirements, Full Implementation of Core Equity Reporting Requirements, Initial Industry Member Core Equity and Option Reporting, Primary Market Transaction, and Small Industry Member).

245 See CAT NMS Plan, supra note 3, Section 1.1 (defining Advisory Committee, Affiliate, Affiliated Participant, Agreement, CAT Executing Broker, CAT NMS Plan, Certificate, Chair, Chief Compliance Officer, Chief Information Security Officer, Code, Company, Company Interest, Compliance Rule, Compliance Subcommittee, Compliance Threshold, Conflict of Interest, Delaware Act, Disclosing Party, Error Rate, Fiscal Year, GAAP, Independent Auditor, Information, Latency, Majority Vote, Material Amendment, Material Contract, Material Subcontractor, Material Systems Change, NMS Plan, Officer, Operating Committee, Other SLAs, Participant, Participation Fee, Payment Date, Permitted Legal Basis, Permitted Person, Permitted Transferee, Person, Pledge, Prime Rate, Proceeding, Receiving Party, Registered Person, Representatives, SLA, Subcommittee, Supermajority Vote, Tax Matters Partner, Transfer, Voting Senior Officer).

246 See CAT NMS Plan, supra note 3, Section 1.1 (defining CAT, CAT Data, CAT System, Commission or SEC, Exchange Act, Exemptive Request Letters, FINRA, FS-ISAC, Last Sale Report, National Best Bid and National Best Offer, Participant Data, Plan Processor, Raw Data, Securities Information Processor or SIP, and SIP Data).

26(a).[247] These terms are not being proposed in the new reporting rule because they either relate to the Regulation NMS Plan structure that would no longer exist or are related terms that would no longer be needed under a Commission reporting rule,[248] relate to the timing of implementation and reporting that has passed,[249] relate to the existing funding model of the CAT,[250] relate to existing error thresholds applicable to Industry Members,[251] or relate to older customer information reporting requirements that have been replaced by the Reference Data Approach.[252] The Commission understands that these terms within the CAT NMS Plan and SRO CAT Compliance Rules would not be required for proposed Rule 17a-26 to maintain existing reporting requirements, but requests comment on whether or not that is true below.

Request for Comment

The Commission requests comment on proposed Rule 17a-26(a). Specifically, the Commission solicits comment on the following:

14. Should any other definitions be added to proposed Rule 17a-26(a)? Does proposed Rule 17a-26(a) have the necessary definitions from Rule 613, the CAT NMS Plan, SRO CAT Compliance Rules, and any other documents related to current CAT reporting such as technical specifications and FAQs? Should any existing definitions that are intentionally excluded, as discussed above, be carried over into the proposed rule? If yes, which one(s) and why?

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247 See, e.g., FINRA Rule 6810.

248 See, e.g., FINRA Rule 6810 (defining CAT, CAT NMS Plan, Operating Committee, Plan Processor, Data Submitter).

249 See, e.g., FINRA Rule 6810 (defining Initial Plan Processor, Introducing Industry Member, Small Industry Member).

250 See, e.g., FINRA Rule 6810 (defining NMS Stock).

251 See, e.g., FINRA Rule 6810 (defining Compliance Threshold and Error Rate).

252 See, e.g., FINRA Rule 6810 (defining Customer Account Information, Customer Identifying Information). See also infra Part IV.K (Reference Data Reporting).

15. Are the definitions proposed by Rule 17a-26, when intended, consistent with the definitions of the terms in Rule 613, the CAT NMS Plan, and SRO CAT Compliance Rules? If not, how so? Should any of these definitions be modified? If so, how so and why?

16. Are any of the definitions in proposed Rule 17a-26 unnecessary? If so, why?

17. Is the proposed definition of Account Effective Date in proposed Rule 17a-26(a)(1) consistent with the definition of Account Effective Date in the CAT NMS Plan and SRO CAT Compliance Rules? Why or why not?

18. Should any changes be made to the proposed definition of Material Terms of the Order in proposed Rule 17a-26(a)(28)?

19. Is the proposed definition for Technical Specifications in proposed Rule 17a-26(a)(40) appropriate? Should Technical Specifications be a defined term? Why or why not? Is the proposed definition consistent with the content of technical specifications currently promulgated by the Plan Processor? Why or why not? Should any changes be made to the proposed definition?

20. Is the proposed definition for Trading Day in proposed Rule 17a-26(a)(41) consistent with the definition of Trading Day as defined in technical specifications currently promulgated by the Plan Processor? If not, what changes should be made to the proposed definition?

B. Applicable Securities

Proposed Rule 17a-26(b) would establish the applicable securities that are to be recorded and reported to the Commission or the Designee pursuant to Rule 17a-26. Specifically, Rule 17a-26(b) would state that: (1) each national securities exchange shall record and report to the Central Repository the information set forth in paragraph (h) of this section for each NMS Security registered or listed for trading on such exchange or admitted to unlisted trading privileges on such exchange; (2) each national securities association shall record and report to

the Central Repository the information set forth in paragraph (h) of this section for each Eligible Security for which transaction reports are required to be submitted to a national securities association; (3) each Industry Member shall record and report to the Central Repository the information set forth in paragraph (i) of this section for each NMS Security registered or listed for trading on such exchange or admitted to unlisted trading privileges on such exchange; and (4) each Industry Member shall record and report to the Central Repository the information set forth in paragraph (i) of this section for each Eligible Security for which transaction reports are required to be submitted to a national securities association. These provisions are modeled after and substantively identical to provisions in the CAT NMS Plan and SRO CAT Compliance Rules.[253] However, the proposed provision references paragraphs of proposed Rule 17a-26 instead of using the terms "Participant Data" and "Industry Member Data" (which are not defined in proposed Rule 17a-26), and replaces references to FINRA with "a national securities association."

Proposed Rule 17a-26(b) defines what are the applicable securities subject to the recording and reporting requirements of Rule 17a-26, namely NMS securities registered or listed for trading on an exchange or admitted to unlisted trading privileges on such exchange, and Eligible Securities (as defined by proposed Rule 17a-26(a)(20), see supra Part IV.A) subject to transaction reporting requirements of a national securities association. This is consistent with both the Participant reporting requirements and requirement for SRO CAT Compliance Rules within the CAT NMS Plan,[254] and means that the CAT will require reporting for the same securities as currently required pursuant to the CAT NMS Plan and SRO CAT Compliance

253 See, e.g., Nasdaq General 7, Section 3(c); CAT NMS Plan, supra note 3, Sections 6.3(c) and 6.4(c).

254 See CAT NMS Plan, supra note 3, Section 6.3(c) and 6.4(c).

Rules. It is consistent with the definition of Eligible Securities in proposed Rule 17a-26(a) as well.

Some commenters on the Concept Release have suggested that the CAT be expanded to include additional securities, such as fixed income securities,[255] or raised concerns about tokenized securities or digital assets and CAT reporting.[256] The Commission acknowledges commenter concerns that the trading of tokenized securities or digital assets representing reportable securities may not be required to be reported to the CAT and that this could present regulatory challenges.[257] And the Commission recognizes that a blockchain or digital ledger may not involve the same data points required to be reported as to the CAT. Consistent with current CAT reporting obligations, under proposed Rule 17a-26, to the extent that a tokenized security or digital asset are Eligible Securities and reportable to the Commission or the Designee pursuant to proposed Rule 17a-26(b), reporting requirements would apply to those securities, unless exemptive or other relief were provided.[258]

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255 See, e.g., Letter from William Capuzzi, Chief Executive Officer, Apex Clearing Corporation, to Vanessa A. Countryman, Secretary, Commission (June 22, 2026), at 5, available at https://www.sec.gov/comments/S7-2026-12/s7202612-859919-2650328.pdf ("Apex Clearing Letter") (stating that the Commission should evaluate whether fixed-income transaction data can be brought into the CAT over time, not to eliminate redundancy, but to capture the efficiency of a single, comprehensive reporting platform across asset classes). The CAT NMS Plan has not been modified since it was initially approved to cover additional securities, but such a possibility was contemplated at the time. See, e.g., CAT NMS Plan Approval Order, supra note 3, at 84777-78 (noting that EBS will continue to be necessary for data on asset classes "not initially covered by CAT, such as fixed income, municipal, or other government securities").

256 See, e.g., Nasdaq Letter I, supra note 32, at 11-12 (stating that "[a]ny discussion of the CAT's future would be incomplete without considering tokenized securities"); SIFMA Letter, supra note 66, at 4-5 (recommending that the Commission explore approaches to innovation that ensure that regulators continue to have access to the transaction and market information needed to maintain fair and orderly markets); PTG Letter, supra note 83, at 4 ("[i]n keeping with investor protections and to avoid regulatory arbitrage, Commission rulemaking should be clear that the regulatory mandates of CAT apply to all forms of equity and options trading including tokenization and the move to 23x5 and 24x7 trading").

257 See, e.g., Nasdaq Letter I, supra note 32, at 12; SIFMA Letter, supra note 66, at 4-5. See also FINRA Letter, supra note 11, at 1 (stating that "market integrity and investor confidence require an effective audit trail encompassing *all* the trading locales for a particular security") (emphasis in original).

258 For example, the Commission issued an order granting temporary conditional exemptive relief to "Tokenized Securities Venues" ("TSVs") which, among other things, exempts TSVs from the definition of

It is not appropriate at this stage to propose any new additional securities be subject to CAT reporting requirements, such as fixed income securities, or explicitly expand the reporting obligations to ensure that transactions in tokenized securities are reported to the Commission or the Designee regardless of where such tokenized securities are traded (if not traded on a national securities exchange or reported to a national securities association) or by whom (persons or entities that are not SROs or Industry Members). As discussed above, to the extent possible, the Commission intends to maintain current CAT reporting requirements to avoid undue burdens and costs on industry as reporting transitions to a Commission rule. The expansion of CAT to more applicable securities, or expansion of CAT to apply to more market participants than SROs and broker-dealers, would be inconsistent with that goal.

Request for Comment

The Commission requests comment on the proposed provisions regarding applicable securities. Specifically, the Commission solicits comment on the following:

21. Is proposed Rule 17a-26(b), regarding applicable securities, consistent with Rule 613, the CAT NMS Plan, and SRO CAT Compliance Rules? Should any changes be made to this provision to ensure that the securities subject to reporting under proposed Rule 17a-26 are the same as are currently required to be reported under Rule 613, the CAT NMS Plan, and SRO CAT Compliance Rules? If so, what changes?

22. Should any changes be made with respect to the securities reportable to CAT? Should

"exchange" in section 3(a)(1) of the Exchange Act (the "TSV Exemption"). See Securities Exchange Act Release No. 106402 (Sept. 17, 2026), 91 FR 60168 (Sept. 22, 2026). This order states that pursuant to the TSV Exemption, a TSV "would not be considered a trading center or a market center under Regulation NMS," and "thus the rules under Regulation NMS applicable to exchanges, ATSs, trading centers, and market centers would not apply to such TSV," including, among other rules, Rule 613. See id. at 60172. Thus, a TSV would have no reporting obligation under Rule 17a-26 because it is not a national securities exchange or national securities association.

the securities subject to reporting pursuant to proposed Rule 17a-26 not be made consistent with the securities that are currently required to be reported under Rule 613, the CAT NMS Plan, and SRO CAT Compliance Rules? If so, what changes are appropriate?

23. Should any changes be made to CAT reporting requirements in order to accommodate the reporting of trading of tokenized securities and digital assets that are Applicable Securities? If so, what changes are appropriate?

C. Clock Synchronization and Business Clocks

Proposed Rule 17a-26(c) would impose requirements regarding clock synchronization and Business Clocks, with some differences from what is currently required for national securities exchanges and national securities associations. The proposed rule proposes specific tolerances for timestamps that are consistent with current CAT NMS Plan and SRO CAT Compliance Rules, specifically: for national securities exchanges and national securities associations (100 microseconds), Industry Members (50 milliseconds), and Manual Order Events and Allocation Reports (1 second).[259] However, proposed Rule 17a-26(c) would extend existing requirements relating to daily synchronization, documentation, certification, and violation reporting, that currently apply to only Industry Members through SRO CAT Compliance Rules, to also apply to national securities exchanges and national securities associations. In addition, the proposed rules would differ insofar as synchronization logs would be allowed to be preserved for a shorter time period (three years instead of five years), certification of satisfaction of the synchronization requirements will be explicitly required to be made to the Commission or the Designee annually (rather than "in accordance with the certification schedule established by the

259 See CAT NMS Plan, supra note 3, at Section 6.8(a)(i); FINRA Rule 6820(a)(4).

Operating Committee"), and violation reporting would not be "pursuant to thresholds set by the Operating Committee pursuant to the CAT NMS Plan."[260]

Tolerances for CAT Reporters

Proposed Rule 17a-26(c)(1) would specify that for purposes of reporting to the Central Repository, each national securities exchange and national securities association must synchronize its Business Clocks at a minimum to within 100 microseconds of the time maintained by the National Institute of Standards and Technology ("NIST"), consistent with industry standards, and each Industry Member must synchronize their respective Business Clocks at a minimum to within fifty (50) milliseconds of the time maintained by the NIST, and maintain such a synchronization. The provision would state that the tolerance provided for in proposed Rule 17a-26(c)(1) includes all of the following: the difference between the NIST atomic clock and the CAT Reporter's Business Clock, the transmission delay from the source, and the amount of drift of the CAT Reporter's Business Clock.

Proposed Rule 17a-26(c)(1) is consistent with current requirements and is designed to help ensure that clocks are synchronized within a specific level of granularity and that time drift does not exceed a defined level of deviation. The majority of trading of NMS Securities is done electronically, and computers necessarily have some rate of deviation when keeping time. Proposed Rule 17a-26(c) is designed to strike an appropriate balance between the need for accurately timestamped reported events and the burden of maintaining clock synchronization and the amount of deviation allowed in timekeeping. Effective clock synchronization is essential to maintaining an accurately time-sequenced audit trail, particularly one where time stamps will be in millisecond increments or less, especially in the modern market where order events occur

[260] See, e.g., FINRA Rule 6820.

within microseconds. The ability to sequence market events is crucial to the efficacy of detecting and investigating some types of manipulation, particularly those involving high frequency trading. Any drift of such a system's clock relative to the clocks of other systems may of course hinder the time-sequencing of cross-system events, but any drift between Business Clocks would not preclude the ability of regulators from performing a detailed, accurate time-sequenced analysis of all the orders, cancellations, modifications, and executions performed by a specific system of interest.

The proposed clock synchronization standards of 50 milliseconds for broker-dealers and the finer 100 microsecond standard for national securities exchanges and national securities associations are based on current requirements in the CAT NMS Plan and SRO CAT Compliance Rules. In approving the CAT NMS Plan, the Commission noted that the Participants considered various clock synchronization options, ranging from microseconds to one second, before settling on a 50 millisecond standard, which the Participants believed represented the then current industry standard for Industry Members.[261] The Participants stated that, based on their analysis, imposing a finer clock synchronization standard for Industry Members as part of the initial implementation of the CAT would significantly increase the cost of compliance for some segments of the Industry.[262] With respect to the national securities exchanges and national securities associations themselves, the Participants represented that they all operated pursuant to a clock synchronization standard that is within 100 microseconds of the time maintained by NIST.[263]

One commenter on the Concept Release objected to the 50 millisecond standard for

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261 See CAT NMS Plan Approval Order, supra note 3, at 84785.

262 See id.

263 See id.

Industry Members, stating that the tolerance "makes the CAT data useless," and that "[a] wide latency tolerance mussed up data that one cannot roll the data forward and backward to see which trade message came in first, second, third, or a hundred thousandth," and "[i]n turn, [the CAT] is not suitable for Best Ex, surveillance, or regulatory market monitoring purposes."[264] The Commission disagrees that the clock synchronization requirements have made the CAT useless. While a reduced tolerance may lead to a greater ability to confidently sequence otherwise unlinked order events in perfect sequence, the existing requirements are sufficient for regulatory needs and strike an appropriate balance between precision and the risks of transition to a significantly less tolerant synchronization standard at this time.

Tolerances for Manual Order Events and Allocation Reports

Proposed Rule 17a-26(c)(1)(A) would establish different clock synchronization requirements for Manual Order Events and Allocation Reports. Specifically, notwithstanding the requirements of proposed Rule 17a-26(c)(1), proposed Rule 17a-26(c)(1)(A) would state that each national securities exchange, national securities association, and Industry Member must synchronize their Business Clocks used solely for Manual Order Events and Business Clocks used solely for the time of allocation on Allocation Reports to within one second of the time maintained by the NIST atomic clock, consistent with industry standards, and maintain such synchronization.

Proposed Rule 17a-26(c)(1)(A) is consistent with the CAT NMS Plan and SRO CAT Compliance Rules, which also allow for the reporting of Manual Order Events and Allocation Reports to a one-second clock synchronization standard. For manual systems and manual

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264 See Data Boiler Letter, supra note 66, at 9 and 26.

events, the timing is inherently less precise and a one-second clock synchronization standard is reasonable. For Allocation Reports, a one-second clock synchronization standard is reasonable because the regulatory benefit of the timing of an allocation does not require millisecond precision, and unlike other CAT order events that require linkage, allocations are not time-critical. Maintaining these clock synchronization standards, as well as the standards in Rule 17a-26(c)(1), will mean that CAT Reporters can continue to synch clocks as they do now and will avoid having to make systems or reporting changes to meet new standards.

As discussed above, certain requirements that are only imposed on Industry Members by SRO CAT Compliance Rules today would be extended to apply to national securities exchanges and national securities associations as well. Proposed Rule 17a-26(c)(1)(B) would require that Business Clocks be synchronized every business day before market open to ensure that timestamps for Reportable Events are accurate, and that to maintain clock synchronization, Business Clocks must be checked against the NIST atomic clock and resynchronized, as necessary, throughout the day. While the CAT NMS Plan requires Participants to synchronize its Business Clocks at a minimum to within 100 microseconds of the time maintained by NIST, it does not explicitly require Participants to synchronize their Business Clocks every business day before market open or resynchronize those clocks, as necessary, throughout the day.[265] Requiring all CAT Reporters to regularly resynchronize their Business Clocks should help ensure that they are in compliance with the standards in Rule 17a-26(c)(1) both at the start of

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[265] See CAT NMS Plan, supra note 3, at Section 6.8(a)(i); FINRA Rule 6820(a)(4). While the CAT NMS Plan does not explicitly require Participants to do the same as what is required by SRO CAT Compliance Rules of Industry Members, it is likely that the majority if not all Participants have policies and procedures that require such synchronization. See Participant Technical Specifications, supra note 240, at 259 (stating that "in order to ensure the accuracy of timestamps for Reportable Events, Participants are anticipated to adopt policies and procedures to verify such required synchronization each Trading Day (1) before the market opens, and (2) periodically throughout the Trading Day").

each trading day and throughout each trading day, which is essential in ensuring that the timestamps applied to reportable events are accurate and within synchronization requirements, as Business Clocks could drift or become less consistent with the time maintained by NIST overnight or over a trading day.

Proposed Rule 17a-26(c)(2) would impose documentation requirements related to clock synchronization and Business Clocks, consistent with existing requirements in SRO CAT Compliance Rules for Industry Members, except for shortening the required period logs are to be maintained from five years to three years, and proposing to apply these documentation requirements to all CAT Reporters. Specifically, proposed Rule 17a-26(c)(2) would require national securities exchanges, national securities associations, and Industry Members to document and maintain their synchronization procedures for Business Clocks, including keeping a log of the times when they synchronize their Business Clocks and the results of the synchronization process. Proposed Rule 17a-26(c)(2) would specify that the log should include notice of any time a Business Clock drifts more than the applicable tolerance specified in proposed Rule 17a-26(c) and that such log must include results for a period of not less than three years ending on the then current date, or for the entire period for which the national securities exchange, national securities association, or Industry Member has been required to comply with Rule 17a-26 if less than three years. Proposed Rule 17a-26(c)(3) would require each national securities exchange, national securities association, and Industry Member subject to proposed Rule 17a-26 to certify that its Business Clocks satisfy the synchronization requirements set forth in proposed Rule 17a-26(c)(1) on an annual basis. Consistent with the existing requirements in SRO CAT Compliance Rules for Industry Members, pursuant to the proposal, CAT Reporters would maintain the certification as part of their books and records.

The proposed requirement that all CAT Reporters maintain documentation for their synchronization procedures for Business Clocks, including a log of the times when they synchronize their Business Clocks and the results of the synchronization process should help ensure that all CAT Reporters maintain a record of clock synchronization should review be required. As noted above, this is currently imposed on only Industry Members pursuant to SRO CAT Compliance Rules.[266] Requiring such log to document synchronization times and results for a period of up to three years is appropriate because it is consistent with the amount of time CAT Data is currently required to be stored by the Plan Processor pursuant to the CAT NMS Plan. The three year requirement differs from the current five year requirement imposed on Industry Members pursuant to SRO CAT Compliance Rules, and does not foreclose the ability of Industry Members to maintain that amount of logs if they choose to do so.

Proposed Rule 17a-26(c)(3) will require certification from each national securities exchange, national securities association and broker-dealer subject to Rule 17a-26 that its Business Clocks satisfy the synchronization requirements set forth in Rule 17a-26(c)(1) on an annual basis. Currently, Industry Members are required to complete an annual clock synchronization certification form, certifying that the Industry Member satisfies the synchronization requirements of the SRO CAT Compliance Rules for the prior calendar year.[267]

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266 See CAT NMS Plan, supra note 3, at Section 6.8(a)(i); FINRA Rule 6820(b). The CAT NMS Plan does not explicitly require Participants to maintain logs of clock synchronization, although it is possible that the majority if not all Participants currently keep documentation related to clock synchronization. See Participant Technical Specifications, supra note 240, at 259 (stating that "Participants are recommended to keep documentation which provides details of their Business Clock synchronization process, and the resulting log files from the implementation of such processes").

267 See, e.g., CAT LLC, "Clock Synchronization," available at: https://www.catnmsplan.com/guidance/clock-synchronization (stating, among other things, that "Industry Members are required to complete the CAT Clock Synchronization Certification form by March 15th of each year"); CAT LLC, "Consolidated Audit Trail ('CAT') Clock Synchronization Requirements," available at https://catnmsplan.com/sites/default/files/2020-02/Clock_Synchronization-Notice_to_Industry_Members.pdf (stating, among other things, that the Operating Committee determined that synchronization certifications should be made annually); CAT FAQ R7.

Consistent with those existing requirements, CAT Reporters would maintain the certification required by proposed Rule 17a-26(c)(3) as part of their books and records. Requiring an annual certification from all CAT Reporters should help ensure that each CAT Reporter is maintaining Business Clocks with synchronization consistent with Rule 17a-26(c)(1).

Proposed Rule 17a-26(c) would also include violation reporting requirements for clock synchronization and Business Clocks, based in part on existing requirements in SRO CAT Compliance Rules. Proposed Rule 17a-26(c)(4) would require national securities exchanges, national securities associations, and Industry Members with Business Clocks to report to the Commission or the Designee violations of paragraph (1) of proposed Rule 17a-26(c). Proposed Rule 17a-26(c)(4) would also state that a national securities exchange, national securities association, or Industry Member that engages in a pattern or practice of reporting Reportable Events outside of the required clock synchronization time period as set forth in Rule 17a-26(c)(1) without reasonable justification or exceptional circumstances may be considered in violation of this section. Currently, the SRO CAT Compliance Rules require violation reporting by Industry Members "pursuant to the thresholds set by the Operating Committee pursuant to the CAT NMS Plan," but proposed Rule 17a-26(c)(4) has no similar language. In addition, this proposed provision would extend the violation reporting requirements and pattern or practice provision that is currently in SRO CAT Compliance Rules to apply to all CAT Reporters and not just Industry Members. Proposed Rule 17a-26(c)(4) should continue to help ensure that CAT Reporters take great care in maintaining accurate Business Clocks and that the responsible party is made aware of any deviations from the requirements of proposed Rule 17a-26(c)(1).

Request for Comment

The Commission requests comment on the proposed provisions regarding clock

synchronization and Business Clocks. Specifically, the Commission solicits comment on the following:

24. Except where specifically intended otherwise, should any changes be made to ensure that proposed Rule 17a-26(c) is consistent to the current synchronization and Business Clock requirements of Rule 613, the CAT NMS Plan, and SRO CAT Compliance Rules? If so, what changes?

25. Are the proposed tolerances for Business Clocks appropriate? Is it appropriate for the requirements for Business Clocks to continue to differ between national securities exchanges and national securities associations (provided a 100 microsecond tolerance), and broker-dealers (provided a 50 millisecond tolerance)? Why or why not? Could Industry Members synchronize Business Clocks with a smaller tolerance without any substantive systems or process changes, or would modification of the tolerance necessarily require certain Industry Members to incur new costs?

26. Is it appropriate to require the same daily synchronization, documentation, certification, and violation reporting requirements on all CAT Reporters? Should timestamp requirements differ for any other reportable events in addition to Manual Order Events and Allocation Reports? Why or why not? Should any other changes be made to the clock synchronization and Business Clock provisions?

27. Should the proposed rule specify what needs to be included in the certification required by Proposed Rule 17a-26(c)(3)? If so, what information should the certification require? Should the Commission require CAT Reporters to use a specific form for the certification? If so, should the Commission use the same certification form that is currently required by the SROs' CAT Compliance Rules? Why or why not? Instead of requiring the certification to be maintained by

CAT Reporters as part of their books and records, should the Commission require CAT Reporters to submit their certifications to the Commission or its Designee? Why or why not?

D. Timestamps

Proposed Rule 17a-26(d) would impose requirements regarding timestamps for reporting to the Central Repository. Specifically, Rule 17a-26(d) would require each CAT Reporter to record and report to the Central Repository with time stamps in milliseconds. Rule 17a-26(d)(1) would state that to the extent that a CAT Reporter's order handling or execution systems utilize time stamps in increments finer than milliseconds, such CAT Reporter shall record and report to the Central Repository with time stamps in such finer increment up to nanoseconds; provided, that CAT Reporters that capture timestamps in increments more granular than nanoseconds must truncate the timestamps after the nanosecond level for submission to Central Repository, rather than rounding such timestamps up or down. Proposed Rule 17a-26(d)(2) would provide for different timestamp requirements for Manual Order Events and Allocation Reports. Specifically, national securities exchanges, national securities associations, and Industry Members would be permitted to record and report: (i) Manual Order Events to the Central Repository in increments up to and including one second, provided that CAT Reporters shall be required to record and report the time when a Manual Order Event has been captured electronically in an order handling and execution system of such CAT Reporter in milliseconds; and (ii) the time of allocation on Allocation Reports in increments up to and including one second.

The proposed requirements regarding timestamps are designed to be substantively identical to existing reporting requirements for CAT Reporters, pursuant to the CAT NMS Plan, SRO CAT Compliance Rules, and exemptive relief granted by the Commission. Rule 613 required the CAT NMS Plan to impose granularity requirements that reflect current industry

standards and be at least to the millisecond.[268] With the exception of Manual Events and Allocation Reports, the CAT NMS Plan requires reporting in at minimum milliseconds, but states that if a Participant or Industry Member utilizes timestamps in increments finer than the minimum requirement, such CAT Reporter shall utilize such finer increment.[269]

However, due to conditional exemptive relief granted by the Commission in 2020,[270] and again in 2025,[271] the CAT has never accepted timestamps in increments more granular than nanoseconds from any CAT Reporters. Pursuant to this exemptive relief, both Participants and Industry Members were required to truncate timestamps in increments more granular than nanoseconds to nanoseconds for submission to the CAT, and the Central Repository will be required to accept timestamps on order events handled electronically to a nanosecond granularity.[272] This conditional exemptive relief was granted for a period of five years, and so absent further action, the conditional exemptive relief is scheduled to expire on April 8, 2030.[273]

In their request for exemptive relief in 2025, the Participants stated that absent such relief, the Plan Processor would impose costs of approximately $900,000 to $1,100,000 and additional costs would be imposed on Participants and Industry Members without any corresponding regulatory benefit.[274] As noted by the Participants, because of the 50 millisecond

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268 See 17 CFR 242.613(d)(3).

269 See CAT NMS Plan, supra note 3, Section 6.8(b) and at Appendix D, Section 3.

270 See Securities Exchange Act Release No. 88608 (Apr. 8, 2020), 85 FR 20743 (Apr. 14, 2020).

271 See Securities Exchange Act Release No. 102980 (May 2, 2025), 90 FR 19334 (May 7, 2025) ("2025 Timestamp Granularity Exemptive Relief Order").

272 See 2025 Timestamp Granularity Exemptive Relief Order, supra note 271, at 19336.

273 See, e.g., FINRA Rule 6860(a) (stating that Industry Members that capture time stamps in increments more granular than nanoseconds must truncate the time stamps after the nanosecond level for submission to CAT, rather than rounding such time stamps up or down, until April 8, 2030).

274 See letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission, dated March 24, 2025 ("2025 Timestamp Granularity Request Letter"), at 2,

leeway given for clock synchronization for Industry Members (which as described in Part IV.C. above is intended to be maintained in the new reporting rule), any two separate clocks can vary by 100 milliseconds; therefore, requiring timestamps in finer granularity than nanoseconds would not improve the ability to sequence events with any reasonable degree of reliability or otherwise enhance regulatory use versus the status quo.[275] The Participants also noted that no Participant used timestamps with a finer granularity than nanoseconds at the time.[276] The Commission received one comment letter in support of the Participants' exemptive relief at the time, and no negative comment letters or feedback.[277] In addition, commenters on the Concept Release broadly supported permanent codification of temporary exemptive relief,[278] including specifically the timestamp granularity exemptive relief.[279]

The proposal would codify the timestamp granularity exemptive relief into the new CAT reporting rule. The Commission has previously stated that regulators need sufficiently granular timestamps to sequence events across orders and within order lifecycles, and that a lack of

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available at: https://catnmsplan.com/sites/default/files/2025-03/03.24.25-CAT-Exemption-Request_Timestamp-Granularity.pdf.

275 See id., at 4.

276 See id.

277 See 2025 Timestamp Granularity Exemptive Relief Order, supra note 271, at 19336; Letter from Howard Meyerson, Managing Director, Financial Information Forum, dated March 28, 2025 ("March 2025 FIF Letter"), available at: https://www.sec.gov/comments/4-698/4698-585555-1689862.pdf.

278 See, e.g., FIF Letter, supra note 86, at 11 (stating that FIF members recommend that the Commission make permanent any current exemption relating to CAT that is limited by a time period); Robinhood Letter, supra note 67, at 13 (stating that the Commission should publish a complete inventory of all currently active CAT exemptive reliefs and commit to a timeline for resolving each on a permanent basis); PTG Letter, supra note 83, at 3 (stating that "temporary exemptive relief . . . should be made permanent and potentially broadened"); NYSE Letter I, supra note 32, at 7 (stating that "the NYSE Exchanges are generally supportive of permanently extending and codifying all current exemptive relief").

279 See, e.g., Robinhood Letter, supra note 67, at 13 (stating that the commenter opposes any effort to compress manual order timestamp requirements and stating that the nanosecond truncation relief should be permanently codified before its expiration); FINRA Letter, supra note 11, at 7 (stating that a Commission audit trail reporting rule should, among other things, leverage existing provisions including timestamp requirements).

uniform and granular timestamps can limit the ability of regulators to sequence events accurately and link data with information from other data sources.[280] Because the national securities exchanges and national securities association do not utilize timestamps finer than nanoseconds, and the proposed clock synchronization requirements as described in Part IV.C. above require synchronization within 50 milliseconds,[281] codifying the exemptive relief and conditions would result in the collection of information that is at least as granular as existing data sources.

Proposed Rule 17a-26(d) would allow for an accurate sequencing of reportable events as may commonly occur within a single system, tied to a single clock, at levels of at least as granular as a millisecond. CAT Reportable Events can be adequately sequenced in the CAT without requiring timestamps in a finer granularity than nanoseconds, and with the approach in the proposed rule the Commission or the Designee would be able to preserve the reliability and accuracy of the data reported to the Central Repository while avoiding significant costs and work for both the Central Repository and CAT Reporters to modify timestamp requirements. Instead of having a reporting standard that expires, to the extent that industry standards change significantly enough to warrant modification to these timestamp requirements, the Commission could choose to amend the rule or grant exemptive relief as necessary to accommodate such developments.

Request for Comment

The Commission requests comment on the proposed provisions regarding the reporting requirements related to timestamps. Specifically, the Commission solicits comment on the

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280 See 2025 Timestamp Granularity Exemptive Relief Order, supra note 271, at 19336; CAT NMS Plan Approval Order, supra note 3, at 84808-09, 84813.

281 See also March 2025 FIF Letter, supra note 277, at 2 (stating that 50 milliseconds is 50 million times greater than a nanosecond and that the CAT NMS Plan requires clock synchronization by the CAT Plan Participants to within 100 microseconds, which is 100,000 times greater than a nanosecond).

following:

28. Are the proposed provisions consistent with Rule 613, the CAT NMS Plan, SRO CAT Compliance Rules, and the 2025 Timestamp Granularity Exemptive Relief Order? Should any changes be made to these provisions to ensure that the timing of recording and reporting under Rule 17a-26 is consistent with what is currently required for CAT Reporters?

29. Should the CAT be required to accept timestamps in the finest granularity used by CAT Reporters? Should timestamps more granular than nanoseconds be required to be truncated after the nanosecond level for submission to the CAT? Why or why not?

30. Should timestamp requirements differ for any other reportable events in addition to Manual Order Events and Allocation Reports? Why or why not?

E. Connectivity and Data Transmission

Proposed Rule 17a-26(e) would impose requirements regarding data transmission and connectivity, as well as describe requirements relating to CAT Reporting Agents. Proposed Rule 17a-26(e)(1) would state that each CAT Reporter shall transmit data as required under the rule to the Central Repository for consolidation and storage utilizing such method(s) and format(s) and according to such guidance as may be provided by the Commission and the Designee. Proposed Rule 17a-26(e)(2) would state that each CAT Reporter shall connect to the Central Repository using a secure method(s) and encrypted internet connectivity, including but not limited to private line(s) and virtual private network connection(s) over public lines.

Proposed Rule 17a-26(e)(3) would state that any Industry Member may enter into an agreement with a CAT Reporting Agent pursuant to which the CAT Reporting Agent agrees to fulfill the reporting obligations of such Industry Member under this section. It would state that any such agreement shall be evidenced in writing, which shall specify the respective functions and responsibilities of each party to the agreement that are required to effect full compliance

with the requirements of this section, and that all written documents evidencing such agreement must be maintained by each party to the agreement. In addition, the proposed rule would state that, notwithstanding the existence of an agreement described in this paragraph, each Industry Member remains primarily responsible for compliance with the requirements of this section.

These proposed provisions are designed to be consistent with the existing CAT NMS Plan and SRO CAT Compliance Rules,[282] with certain modifications. Specifically, the SRO CAT Compliance Rules apply to Industry Members, and the proposed provisions regarding connectivity and data transmission are proposed to be modified to instead apply to all CAT Reporters. This is consistent with Section 4.1.1 of Appendix D of the CAT NMS Plan, which requires that CAT Reporters (and not just Industry Members) must connect to the CAT infrastructure using secure methods such as private lines or (for smaller broker-dealers) Virtual Private Network connections over public lines. In addition, the requirements related to CAT Reporting Agents mirror the requirements in current SRO CAT Compliance Rules.[283]

Proposed Rule 17a-26(e)(2) would require each CAT Reporter to use encrypted internet connectivity. While the SRO CAT Compliance Rules do not explicitly require usage of encrypted internet connectivity by CAT Reporters, the CAT NMS Plan requires that the CAT System must have encrypted internet connectivity.[284] The Commission understands that CAT Reporters already connect to the Central Repository using encrypted internet connectivity,[285] and

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282 See, e.g., FINRA Rule 6870.

283 See, e.g., FINRA Rule 6870(c).

284 See CAT NMS Plan, supra note 3, Appendix D, Section 4.1.1. See also id. at Appendix D, Section 4.1.2 (stating that all CAT Data must be encrypted at rest and in flight).

285 See, e.g., FINRA CAT, FINRA CAT Connectivity Supplement for Industry Members, Version 1.18, dated June 12, 2026, available at: 06.12.2026-FINRA_CAT-Connectivity_Supplement_for_Industry_Members_v1.18.pdf, at 16 (stating that Industry Members and CAT Reporting Agents using public lines will only be able to access the Transaction/Reference Database

thus imposing such a requirement would not modify existing practices with respect to CAT reporting or require any CAT Reporter to modify and update existing systems to meet this requirement.

The proposed provisions regarding data transmission, connectivity, and CAT Reporting Agents are designed to ensure that CAT data continues to be submitted to the Central Repository in a secure and encrypted format that will continue to allow the Commission or the Designee to ingest, process, and analyze the data effectively and securely. The requirements related to documenting and maintaining any agreements between Industry Members and their CAT Reporting Agent(s) are important to continue to ensure that each party to the agreement fully understands the respective functions and responsibilities of each party and provide regulators an ability to understand the agreement as understood by the parties if necessary. Under the proposed rule Industry Members that use CAT Reporting Agents will maintain primary responsibility for compliance with the requirements of Rule 17a-26, consistent with existing requirements.

Request for Comment

The Commission requests comment on the proposed provisions regarding connectivity, data transmission, and CAT Reporting Agents. Specifically, the Commission solicits comment on the following:

31. Are the proposed provisions consistent with Rule 613, the CAT NMS Plan, and SRO CAT Compliance Rules? Should any changes be made to these provisions to ensure that these provisions are consistent with what is currently required pursuant to Rule 613, the CAT NMS

Reporter Portals by establishing an authenticated, encrypted connection through the CAT Secure Reporting Gateway).

Plan, and SRO CAT Compliance Rules?

32. Is it appropriate to propose that all CAT Reporters shall connect to the Central Repository using a secure method(s) and encrypted internet connectivity, including but not limited to private line(s) and virtual private network connection(s) over public lines? Should additional requirements be imposed on the security of CAT Reporter connections to the Central Repository? Should there be an explicit requirement that data submitted by CAT Reporters must be encrypted "in flight"?

33. Should any additional requirements be imposed on CAT Reporting Agents or the CAT Reporters that enter into an agreement with a CAT Reporting Agent?

F. Timing of Recording and Reporting

Proposed Rule 17a-26(f) would impose requirements regarding the timing of recording and reporting data for purposes of reporting under Proposed Rule 17a-26. Specifically, Rule 17a-26(f)(1) would require that each CAT Reporter record contemporaneously with each applicable Reportable Event. For Industry Members, Rule 17a-26(f)(2)(i) would require the reporting of Recorded Industry Member Data to the Central Repository by 8:00 a.m. Eastern Time on the Trading Day following the day the Industry Member records such Recorded Industry Member Data; and 17a-26(f)(2)(ii) would require the reporting of Received Industry Member Data to the Central Repository by 8:00 a.m. Eastern Time on the Trading Day following the day the Industry Member receives such Received Industry Member Data.[286] For national securities exchanges and national securities associations, Rule 17a-26(f)(3) would require them

[286] The terms Received Industry Member Data and Recorded Industry Member Data are proposed to be defined in proposed Rule 17a-26(a). See also supra Part IV.A. Proposed Rule 17a-26(a)(34) would define the term Received Industry Member Data to mean the information required to be recorded and reported pursuant to paragraph (i)(2) of proposed Rule 17a-26. Proposed Rule 17a-26(a)(35) would define the term Recorded Industry Member Data to mean the information required to be recorded and reported pursuant to paragraph (i)(1) of proposed Rule 17a-26.

to report the data required by proposed Rule 17a-26(h) to the Central Repository by 8:00 a.m. Eastern Time on the Trading Day following the day the national securities exchange or national securities association records such data. Rule 17a-26(f)(4) would state that CAT Reporters may, but are not required to, voluntarily report prior to the applicable 8:00 a.m. Eastern Time deadline.

Rule 17a-26(f) is based on Rule 613, the CAT NMS Plan, and SRO CAT Compliance Rules and is designed to maintain existing requirements regarding the timing of recording and reporting CAT Data. Rule 613(c)(3) and (4) required that the CAT NMS Plan require the contemporaneous recordation of reportable information and the reporting of information to the central repository by 8:00 a.m. the day following the recording or receipt of reportable information. Consistent with this requirement, the CAT NMS Plan includes Section 6.3(b), regarding the timing of recording and reporting of Participant information, and 6.4(b)(ii), requiring SRO CAT Compliance Rules to impose requirements on Industry Members.[287]

Proposed Rule 17a-26(f) is designed to maintain current requirements for the timing of recording and reporting of CAT data on national securities exchanges, national securities associations, and Industry Members. Imposing more rigorous reporting requirements could be costly and difficult to implement for CAT Reporters, and to the extent that CAT Reporters would prefer to report earlier than 8:00 a.m. Eastern Time, the proposed Rule, like the current CAT NMS Plan and SRO CAT Compliance Rules, specifically allows for the voluntary reporting of data prior to the applicable 8:00 a.m. Eastern Time deadline.[288] Based on Commission knowledge of the operation of the current CAT, the current 8:00 a.m. Eastern Time deadline

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287 See, e.g., Nasdaq General 7, Section 3(b).

288 In addition, the Commission specifically rejected a real-time reporting requirement in approving Rule 613. See Rule 613 Adopting Release, supra note 1, at 45767.

strikes an appropriate balance between regulatory need and the burden of reporting data. Maintaining the current timing of recording and reporting requirements applicable to CAT Reporters should help ensure that the transition is less difficult for CAT Reporters.[289]

Request for Comment

The Commission requests comment on the proposed provisions regarding the timing of recording and reporting of data. Specifically, the Commission solicits comment on the following:

34. Are the proposed provisions consistent with Rule 613, the CAT NMS Plan, and SRO CAT Compliance Rules? Should any changes be made to these provisions to ensure that the timing of recording and reporting under Rule 17a-26 is consistent with what is currently required?

G. Security Symbology

Proposed Rule 17a-26(g) would impose requirements regarding the security symbology used for CAT reporting. Proposed Rule 17a-26(g) would require: (1) for each exchange-listed Eligible Security, each CAT Reporter report to the Central Repository using the symbology format of the exchange listing the security; and (2) for each Eligible Security that is not exchange-listed, each CAT Reporter report to the Central Repository using such symbology format as established by the Commission or the Designee. These provisions are modeled after provisions in the SRO CAT Compliance Rules,[290] except that references to "each Industry Member" were modified to "each CAT Reporter" to include national securities exchanges and national securities associations, and modifying a reference to the Operating Committee of the

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289 See also FIF Letter, supra note 86, at 37 (stating that "FIF members generally do not object to retaining the current timeline of 8 a.m. on T+1 for the initial reporting of events to CAT").

290 See, e.g., Nasdaq General 7, Section 3(c); CAT NMS Plan, supra note 3, Sections 6.3(c) and 6.4(c).

CAT NMS Plan to instead refer to the Commission or the Designee.

Proposed Rule 17a-26(g) is designed to maintain current CAT reporting requirements because developing and implementing a new symbology approach now would add significant cost and complexity for CAT Reporters.[291] CAT Reporters now have years of experience reporting subject to the existing security symbology requirements of the SRO CAT Compliance Rules, and maintaining the same requirements should ease the transition of CAT reporting from one under the CAT NMS Plan to one directed to the Commission or the Designee. Allowing CAT Reporters to determine their reporting symbology would impose burdens on and add complexity for both CAT Reporters and the Commission or the Designee, as CAT Reporters would need to regularly submit symbology mappings and the Commission or the Designee would need to integrate that bespoke information and process it with data submitted by the CAT Reporter. Because symbol is a core Material Term of the Order it is important that it be accurately and consistently reported and processed, and maintaining existing security symbology requirements should reduce errors and ensure a more seamless transition.

Request for Comment

The Commission requests comment on the proposed provisions regarding symbology. Specifically, the Commission solicits comment on the following:

35. Are the proposed provisions consistent with Rule 613, the CAT NMS Plan, and SRO CAT Compliance Rules? Should any changes be made to these provisions to ensure that the security symbology used for reporting under Rule 17a-26 is consistent with what is currently required to be reported pursuant to Rule 613, the CAT NMS Plan, and SRO CAT Compliance

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291 In approving the CAT NMS Plan, the Commission previously rejected requests to modify the requirement that CAT Reporters report data using listing exchanges' symbology. See CAT NMS Plan Approval Order, supra note 3, at 84751.

Rules?

H. Recording and Reporting National Securities Exchanges and National Securities Associations Data

Proposed Rule 17a-26(h) would describe the recording and reporting obligations for national securities exchanges and national securities associations for each order and each Reportable Event, as applicable. The reporting requirements of proposed Rule 17a-26(h) are based on the reporting requirements for Participants in the CAT NMS Plan, in particular Section 6.3, and are designed to require the reporting of the same elements for orders and Reportable Events as is currently required today.

Proposed Rule 17a-26(h) would state that national securities exchanges and national securities associations are required to record and report data to the Central Repository as required by this section in a manner that ensures the timeliness, accuracy, integrity, and completeness of such data, sufficient for an accurate, time-sequenced record of orders beginning with the receipt or origination of an order by a member of a national securities exchange or national securities association and further documenting the life of the order through the process of routing, modification, cancellation, and execution (in whole or in part) of the order. This language is designed to ensure, in conjunction with the rest of proposed Rule 17a-26(h), that the rule requires the reporting of information for each order and each Reportable Event, as applicable, in a manner consistent with existing reporting requirements and sufficient to maintain current processing and linkage procedures and provide regulators useful data.

1. Details of Orders and Reportable Events

Proposed Rule 17a-26(h)(1), which is based on current Section 6.3(d) of the CAT NMS Plan, would describe the elements required to be reported by national securities exchanges and national securities associations for the various parts of an order lifecycle consistent with what is

currently required by the CAT NMS Plan. Proposed Rule 17a-26(h)(1) would state that each national securities exchange and national securities association shall record and electronically report to the Central Repository certain details for each order and each Reportable Event, as applicable, in the manner prescribed by the Technical Specifications, for the following Reportable Events: (i) the original receipt or origination of an order; (ii) the routing of an order; (iii) the receipt of an order that has been routed; (iv) if an order is modified or cancelled; and (v) if the order is executed, in whole or in part.

Original Receipt or Origination of an Order

For the original receipt or origination of an order, proposed Rule 17a-26(h)(1)(i) would require the reporting of: (A) Firm Designated ID(s) for each Customer; (B) CAT-Order-ID; (C) SRO-Assigned Market Participant Identifier of the Industry Member receiving or originating the order; (D) date of order receipt or origination; (E) time of order receipt or origination (using timestamps pursuant to Rule 17a-26(d)); and (F) Material Terms of the Order. For the routing of an order, proposed Rule 17a-26(h)(1)(ii) would require the reporting of: (A) CAT-Order-ID; (B) date on which the order is routed; (C) time at which the order is routed (using timestamps pursuant to Rule 17a-26(d)); (D) SRO-Assigned Market Participant Identifier of the Industry Member, national securities exchange, or national securities association routing the order; (E) SRO-Assigned Market Participant Identifier of the Industry Member, national securities exchange, or national securities association to which the order is being routed; (F) if routed internally at the Industry Member, the identity and nature of the department or desk to which the order is routed; and (G) Material Terms of the Order.

Receipt of an Order that has been Routed

For the receipt of an order that has been routed, proposed Rule 17a-26(h)(1)(iii) would

require the following information: A) CAT-Order-ID; (B) date on which the order is received; (C) time at which the order is received (using timestamps pursuant to Rule 17a-26(d)); (D) SRO-Assigned Market Participant Identifier of the Industry Member, national securities exchange, or national securities association receiving the order; (E) SRO-Assigned Market Participant Identifier of the Industry Member, national securities exchange, or national securities association routing the order; and (F) Material Terms of the Order.

Order Modification or Cancellation

If an order is modified or cancelled, proposed Rule 17a-26(h)(1)(iv) would require: (A) CAT-Order-ID; (B) date the modification or cancellation is received or originated; (C) time at which the modification or cancellation is received or originated (using timestamps pursuant to Rule 17a-26(d)); (D) price and remaining size of the order, if modified; (E) other changes in the Material Terms of the Order, if modified; and (F) whether the modification or cancellation instruction was given by the Customer or was initiated by the Industry Member, national securities exchange, or national securities association.

Order Execution, in Whole or in Part

If an order is executed, in whole or in part, proposed Rule 17a-26(h)(1)(v) would require the reporting of the following information: (A) CAT-Order-ID; (B) date of execution; (C) time of execution (using timestamps pursuant to Rule 17a-26(d)); (D) execution capacity (principal, agency or riskless principal); (E) execution price and size; (F) SRO-Assigned Market Participant Identifier of the Industry Member, national securities exchange, or national securities association executing the order; and (G) whether the execution was reported pursuant to an effective transaction reporting plan or the Plan for Reporting of Consolidated Options Last Sale Reports

and Quotation Information.[292]

Other Information

Proposed Rule 17a-26(h)(1)(vi) would require information or events be reported as prescribed in the Technical Specifications, including for use by the Central Repository to link and/or create an order event lifecycle using a daisy chain approach.

As noted above, proposed Rule 17a-26(h)(1) is designed to replicate existing reporting obligations for national securities exchanges and national securities associations, facilitating a potential transition from reporting to the current Plan Processor to reporting to the Commission or the Designee. It is not designed to add, subtract, or modify existing reporting obligations. These data elements being proposed in Rule 17a-26(h)(1) are required by the CAT NMS Plan to ensure there is sufficient information to create the lifecycle of an order and provide regulators with sufficient detail about an order to perform their regulatory duties. Proposed Rule 17a-26(h)(1) is designed to facilitate regulatory use of CAT Data, allowing for efficient and effective surveillance and analysis and enabling regulators to detect misconduct and perform market surveillance, among other things.

Proposed Rule 17a-26(h)(1) generally mirrors existing CAT NMS Plan provisions and proposed Rule 17a-26(h)(1)(vi) would codify into the rule the requirement that information or events be reported as prescribed in the Technical Specifications. Accordingly, national securities exchanges and national securities associations are required to, among other things, record and

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292 The Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information is commonly referred to as the "OPRA Plan." The OPRA Plan is a national market system plan approved by the Commission pursuant to Section 11A of the Act and Rule 608 thereunder. See Securities Exchange Act Release No. 17638 (Mar. 18, 1981), 22 SEC. Docket 484 (Mar. 31, 1981). The full text of the OPRA Plan and a list of its participants are available at https://www.opraplan.com/. The OPRA Plan provides for the collection and dissemination of last sale and quotation information on options that are traded on the participant exchanges.

report information or data needed by the Central Repository to link and/or create an order event lifecycle using a daisy chain approach. While linkage is not explicitly mentioned in Section 6.3 of the CAT NMS Plan, explicitly referencing that the data will be reported in a manner that allows for linkage would not impose any new or different reporting obligations on reporters, but instead would make clear that the Commission plans to continue current linkage practices and needs data to continue to be reported in a manner allowing for such linkage. Consistent with current practice, if proposed Rule 17a-26 is implemented, the Commission anticipates that linkage processing will continue in a manner similar to what is currently done today by FINRA CAT, including the linkage or creation of order event lifecycles using a "daisy chain approach."[293] Linkage of order event lifecycles is a key benefit of the CAT, as assembling a consolidated audit trail from pre-CAT data sources was a cumbersome, complex, and time-consuming process that was prone to error.[294] Proposed Rule 17a-26(h)(1)(vi) reflects the continuation of this practice, which avoids the need for alternative approaches to linkage such as

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293 As described in the CAT NMS Plan Approval Order, the "daisy chain approach" is used to link and reconstruct the complete lifecycle of each Reportable Event in CAT. See CAT NMS Plan Approval Order, supra note 3, at 84832 n.2222. According to this approach, CAT Reporters assign their own identifiers to each order event that the Plan Processor later replaces with a single identifier (the CAT Order-ID) for all order events pertaining to the same order. Id.

294 See, e.g., Rule 613 Adopting Release, supra note 1, at 45728. See also FINRA Letter, supra note 11, at 5 (stating that order lifecycles allow "regulators to efficiently and accurately access activity from all required reporters across the U.S. markets in covered securities," and that "[a]s the SEC has recognized, this ability is critical for an effective market surveillance program"); NYSE Letter I, supra note 32, at 2 (stating that "robust market surveillance requires timely access to a comprehensive data set that links retail orders to market makers, institutional participants, and execution venues," and that "other private and public sources of market data currently available cannot (even cumulatively) provide the information needed to create an audit trail that tracks an order through its entire lifecycle"); Healthy Markets Letter, supra note 43, at 14 (stating that "[t]o identify abuses, understand the markets (including for rulemaking activities), and understand market events, the Commission must be able to stitch together message, quote, and trade information across all related products in all market venues," and "it must be able to link related trading activities by different individuals and entities"); CalcGuard Letter, supra note 42, at 9 (stating that "[w]ithout reliable linkage across lifecycle events, regulators may be able to observe individual activities without fully understanding the relationships between routing decisions, liquidity interactions and execution effectiveness").

requiring a unique order ID to be assigned by the first market participant that receives an order, and that order ID be passed to and used by any market participant that handles the order afterwards. This is consistent with current CAT reporting requirements under Rule 613, the CAT NMS Plan, and SRO CAT Compliance Rules. Proposed Rule 17a-26(h)(1)(vi) is not designed to add new reporting obligations or change existing reporting obligations.

2. Daily Identifier Information

Proposed Rule 17a-26(h)(2) would state that each national securities exchange and national securities association shall report to the Central Repository, on a daily basis, all SRO-Assigned Market Participant Identifiers used by its Industry Members or itself and information to identify each (i) such Industry Member, including CRD number and LEI if such LEI has been obtained, and (ii) itself, including LEI, if such LEI has been obtained.[295] This proposed requirement is similar to what is required by Section 6.3(e) of the CAT NMS Plan, which also states that the Plan Processor will use the SRO-Assigned Market Participant Identifiers and identifying information to assign a CAT-Reporter-ID to each Industry Member or Participant for internal use across all CAT Data in the Central Repository.[296]

The requirement that each national securities exchange and national securities association shall report to the Central Repository, on a daily basis, all SRO-Assigned Market Participant Identifiers used by its Industry Members or itself and information to identify each (i) such Industry Member, including CRD number and LEI if such LEI has been obtained, and (ii) itself, including LEI, if such LEI has been obtained, is designed to assist the Commission or the

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295 SRO-Assigned Market Participant Identifier would be defined in proposed Rule 17a-26(a) to mean an identifier assigned to an Industry Member by a national securities exchange or national securities association, or an identifier used by a national securities exchange or national securities association. See also supra Part IV.A.

296 See CAT NMS Plan, supra note 3, Section 6.3(e)(ii).

Designee in assigning an identifier to each CAT Reporter for internal use across all CAT Data in the Central Repository. This is consistent with current practice under the CAT NMS Plan,[297] and the ability to consistently and uniformly identify CAT Reporters is essential in maintaining an accurate audit trail.

3. OMM Quote Sent Time

Proposed Rule 17a-26(h)(3) would state that Reportable Events required by Options Market Makers pursuant to paragraphs (i)(1)(ii) and (i)(1)(iv) of this section shall be reported to the Central Repository by an Options Exchange in lieu of the reporting of such information by the Options Market Maker. Options Exchanges must report the time at which a quote in a Listed Option is sent to the Options Exchange, and, if applicable, any subsequent quote modifications and/or cancellation time when such modification or cancellation is originated by the Options Market Maker, as reported to the Options Exchange by the Options Market Maker pursuant to Rule 17a-26(i)(3).

Proposed Rule 17a-26(h)(3) would allow the Participants and Industry Members (in conjunction with proposed Rule 17a-26(i)(3), discussed below in Part IV.I.3) to continue reporting options market quotes to the CAT as they are currently reported pursuant to the CAT NMS Plan and SRO CAT Compliance Rules. When the Commission approved the CAT NMS Plan in 2016, it simultaneously granted exemptive relief which was incorporated into the CAT NMS Plan allowing for one-sided reporting of market maker quotations in Listed Options and imposing a requirement that Options Market Makers must submit to the relevant Options Exchange quote sent time and the time of quote modifications or cancellations, which would be

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297 See, e.g., id. at Section 6.3(e)(ii) (stating that the Plan Processor will use the SRO-Assigned Market Participant Identifiers and identifying information to assign a CAT-Reporter-ID to each Industry Member or Participant for internal use across all CAT Data in the Central Repository).

reported to the Central Repository by the Options Exchange without change.[298] This approach remains reasonable in maintaining the same regulatory benefits as exist today, while avoiding additional burden on CAT Reporters.[299]

Request for Comment

The Commission requests comment on proposed Rule 17a-26(h). Specifically, the Commission solicits comment on the following:

36. Are the reporting requirements and data elements in proposed Rule 17a-26(h) consistent with the reporting requirements and data elements of the CAT NMS Plan? If not, how so? Is there any additional information or data element that should be included in Rule 17a-26(h), for example any data element that could help the Central Repository better link and recreate an order event lifecycle such as through a daisy chain approach?

37. Are any aspects of existing reporting by national securities exchanges and national securities associations not addressed or adequately described in the proposed rule, or, vice versa, are there requirements of proposed Rule 17a-26(h) that would suggest that the rule requires national securities exchanges and national securities associations to report specific information that is not currently required to be reported today? If so, what information?

38. Should any changes be made to the reporting requirements of national securities exchanges and national securities associations as described in proposed Rule 17a-26(h), and if so, what changes should be made?

39. Does proposed Rule 17a-26(h)(3) adequately incorporate existing reporting requirements with respect to Options Market Maker Quotes, and if not, what changes should be made to

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298 See CAT NMS Plan Approval Order, supra note 3, at 84748.

299 See id., at 84750.

ensure that the provision is consistent with the CAT NMS Plan and SRO CAT Compliance Rule reporting requirements with respect to Options Market Maker Quotes?

I. Recording and Reporting Industry Member Data

Proposed Rule 17a-26(i) would describe the recording and reporting obligations for Industry Members for each order and each Reportable Event, as applicable. The reporting requirements of proposed Rule 17a-26(i) are based in large part on the reporting requirements for Industry Members found in SRO CAT Compliance Rules.[300] Rule 17a-26(i) is designed to require from Industry Members the reporting of the same elements for orders and Reportable Events as is currently required today.

Proposed Rule 17a-26(i) would state that Industry Members are required to record and report data to the Central Repository as required by proposed Rule 17a-26 in a manner that ensures the timeliness, accuracy, integrity, and completeness of such data, sufficient for an accurate, time-sequenced record of orders beginning with the receipt or origination of an order by a member of a national securities exchange or national securities association and further documenting the life of the order through the process of routing, modification, cancellation, and execution (in whole or in part) of the order. This language is designed to ensure, in conjunction with the rest of proposed Rule 17a-26(i), that the rule requires the reporting of information for each order and each Reportable Event, as applicable, in a manner consistent with existing requirements and sufficient to maintain existing processing and linkage procedures and provide regulators useful data.[301]

1. Recorded Industry Member Data

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300 See, e.g., FINRA Rule 6830 (Industry Member Data Reporting).

301 See also FINRA Letter, supra note 11, at 7 (stating that "an SEC direct reporting rule could mirror the current requirements relating to the timeliness, accuracy, integrity, and completeness of the data provided by reporters").

Proposed Rule 17a-26(i)(1) would provide that each Industry Member shall record and electronically report to the Central Repository certain details for each order and each Reportable Event, as applicable, in the manner prescribed by the Technical Specifications. Proposed Rule 17a-26(i)(1) is based on SRO CAT Compliance Rules, and the elements required to be reported pursuant to proposed Rule 17a-26(i)(1) are currently known as "Recorded Industry Member Data" under the CAT NMS Plan and SRO CAT Compliance Rules.[302]

Original Receipt or Origination of an Order

For the original receipt or origination of an order, proposed Rule 17a-26(i)(1)(i) would require Industry Members to report: (A) Firm Designated ID(s) for each Customer; (B) CAT-Order-ID; (C) SRO-Assigned Market Participant Identifier of the Industry Member receiving or originating the order; (D) date of order receipt or origination; (E) time of order receipt or origination (using timestamps pursuant to paragraph (d) of this section); (F) Material Terms of the Order; (G) the unique identification of any appropriate information barriers in place at the department within the Industry Member where the order was received or originated; (H) any request by a Customer that a limit order not be displayed, or that a block size limit order be displayed, pursuant to applicable rules; (I) the nature of the department or desk that originated the order, or received the order from a Customer; and J) the type of account holder for which the order is submitted.

In addition, for Industry Members that operate an ATS, proposed Rule 17a-26(i)(1)(ii)(K) would also require: (1) the ATS's unique identifier for the order type of the order; (2) the national best bid and national best offer (or relevant reference price) at the time of order receipt or origination, and the date and time at which the ATS recorded such national best bid and national

302 See, e.g., FINRA Rule 6830(a)(1); CAT NMS Plan, supra note 3, Section 1.1.

best offer (or relevant reference price); (3) the identification of the market data feed used by the ATS to record the national best bid and national best offer (or relevant reference price) for purposes of paragraph (K)(2);[303] (4) the sequence number assigned to the receipt or origination of the order by the ATS's matching engine; and (5) whether the ATS displays subscriber orders outside the ATS (other than to alternative trading system employees).[304]

Routing of an Order

For the routing of an order, proposed Rule 17a-26(i)(1)(ii) would require Industry Members to report: (A) CAT-Order-ID; (B) date on which the order is routed; (C) time at which the order is routed (using timestamps pursuant to paragraph (d) of this section); (D) SRO-Assigned Market Participant Identifier of the Industry Member routing the order; (E) SRO-Assigned Market Participant Identifier of the Industry Member or national securities exchange or national securities association to which the order is being routed; (F) if routed internally at the Industry Member, the identity and nature of the department or desk to which the order is routed, and the unique identification of any appropriate information barriers in place at the department within the Industry Member to which the order was transmitted; (G) Material Terms of the Order; and (viii) for Industry Members that operate ATSs, the sequence number assigned to the routing of the order by the ATS's matching engine.

Receipt of an Order that has been Routed

For the receipt of an order that has been routed, proposed Rule 17a-26(i)(1)(iii) would

303 Proposed Rule 17a-26(i)(1)(i)(K)(*3*) would state that if for any reason, the ATS uses an alternative market data feed than what was reported on its ATS data submission, the ATS must provide notice to the Central Repository of the fact that an alternative source was used, identify the alternative source, and specify the date(s), time(s) and securities for which the alternative source was used.

304 Proposed Rule 17a-26(i)(1)(i)(K)(*5*) would state that if an ATS does display subscriber orders outside the ATS (other than to alternative trading system employees), indicate whether the order is displayed to subscribers only or through publicly disseminated quotation data.

require Industry Members to report: (A) CAT-Order-ID; (B) date on which the order is received; (C) time at which the order is received (using timestamps pursuant to paragraph (d) of this section); (D) SRO-Assigned Market Participant Identifier of the Industry Member receiving the order; (E) SRO-Assigned Market Participant Identifier of the Industry Member or national securities exchange or national securities association routing the order; (F) Material Terms of the Order; (G) the unique identification of any appropriate information barriers in place at the department within the Industry Member which received the order; (H) the nature of the department or desk that received the order; and (I) any request by a Customer that a limit order not be displayed, or that a block size limit order be displayed, pursuant to applicable rules.

In addition, for Industry Members that operate an ATS, proposed Rule 17a-26(i)(1)(iii)(J) would also require: (1) the ATS's unique identifier for the order type of the order; (2) the national best bid and national best offer (or relevant reference price) at the time of order receipt, and the date and time at which the ATS recorded such national best bid and national best offer (or relevant reference price); (3) the identification of the market data feed used by the ATS to record the national best bid and national best offer (or relevant reference price) for purposes of paragraph (J)(2);[305] (4) the sequence number assigned to the receipt or origination of the order by the ATS's matching engine; and (5) whether the ATS displays subscriber orders outside the ATS (other than to alternative trading system employees).[306]

Order Modification or Cancellation

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305 Proposed Rule 17a-26(i)(1)(iii)(J)(*3*) would state that if for any reason, the ATS uses an alternative market data feed than what was reported on its ATS data submission, the ATS must provide notice to the Central Repository of the fact that an alternative source was used, identify the alternative source, and specify the date(s), time(s) and securities for which the alternative source was used.

306 Proposed Rule 17a-26(i)(1)(iii)(J)(*5*) would state that if an ATS does display subscriber orders outside the ATS (other than to alternative trading system employees), indicate whether the order is displayed to subscribers only or through publicly disseminated quotation data.

For an order that has been modified or cancelled, proposed Rule 17a-26(i)(1)(iv) would require Industry Members to report: (A) CAT-Order-ID; (B) date the modification or cancellation is received or originated; (C) time at which the modification or cancellation is received or originated (using timestamps pursuant to paragraph (d) of this section); (D) price and remaining size of the order, if modified; (E) other changes in the Material Terms of the Order, if modified; (F) whether the modification or cancellation instruction was given by the Customer or was initiated by the Industry Member; (G) the unique identification of any appropriate information barriers at the department within the Industry Member which received or originated the modification; and (H) any request by a Customer that a limit order not be displayed, or that a block size limit order be displayed, pursuant to applicable rules.

In addition, for Industry Members that operate an ATS, proposed Rule 17a-26(i)(1)(iv)(I) would require: (1) the ATS's unique identifier for the order type of the order; (2) the national best bid and national best offer (or relevant reference price) at the time of order modification or cancellation, and the date and time at which the ATS recorded such national best bid and national best offer (or relevant reference price); (3) the identification of the market data feed used by the ATS to record the national best bid and national best offer (or relevant reference price) for purposes of paragraph (I)(2);[307] (4) the sequence number assigned to the modification or cancellation of the order by the ATS's matching engine; and (5) each time the ATS's matching engine re-prices an order or changes the display quantity of an order, the time of such modification and the applicable new price or size.

Order Execution, in Whole or in Part

307 Proposed Rule 17a-26(i)(1)(iv)(I)(*3*) would also state that if for any reason, the ATS uses an alternative market data feed than what was reported on its ATS data submission, the ATS must provide notice to the Central Repository of the fact that an alternative source was used, identify the alternative source, and specify the date(s), time(s) and securities for which the alternative source was used.

For an order that is executed, in whole or in part, proposed Rule 17a-26(i)(1)(v) would require Industry Members to record and report: (A) CAT-Order-ID; (B) date of execution; (C) time of execution (using timestamps pursuant to paragraph (d) of this section); (D) execution capacity (principal, agency or riskless principal); (E) execution price and size; (F) SRO-Assigned Market Participant Identifier of the Industry Member executing the order; and (G) whether the execution was reported pursuant to an effective transaction reporting plan or the Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information. In addition, for Industry Members that operate an ATS, proposed Rule 17a-26(i)(1)(v)(H) would require: (1) the national best bid and national best offer (or relevant reference price) at the time of execution, and the date and time at which the ATS recorded such national best bid and national best offer (or relevant reference price); (2) the identification of the market data feed used by the ATS to record the national best bid and national best offer (or relevant reference price) for purposes of paragraph (G)(1);[308] and (3) the sequence number assigned to the execution of the order by the ATS's matching engine.

Other Information

Proposed Rule 17a-26(i)(1)(vi) would require Industry Members to report information or events as prescribed in the Technical Specifications, including any information or data needed by the Central Repository to link and/or create an order event lifecycle using a daisy chain approach or link Customer orders to representative orders created in firm accounts for the purpose of facilitating a Customer order.

As noted above, proposed Rule 17a-26(i)(1) is designed to replicate existing reporting

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308 Proposed Rule 17a-26(i)(1)(v)(H)(*2*) would further state that if for any reason, the ATS uses an alternative market data feed than what was reported on its ATS data submission, the ATS must provide notice to the Central Repository of the fact that an alternative source was used, identify the alternative source, and specify the date(s), time(s) and securities for which the alternative source was used.

obligations for Industry Members, facilitating a potential transition from reporting to the current Plan Processor to the Commission or the Designee. It is not designed to add, subtract, or modify existing reporting obligations. These proposed data elements are required by SRO CAT Compliance Rules, which were established pursuant to the CAT NMS Plan. These data elements are proposed to be required in proposed Rule 17a-26(i)(1) to ensure there is sufficient information to create the lifecycle of an order, and provide regulators with sufficient detail about an order to perform their regulatory duties. Proposed Rule 17a-26(i)(1) is designed to facilitate regulatory use of CAT Data, allowing for efficient and effective surveillance and analysis and enabling regulators to detect misconduct and perform market surveillance, among other things.

While most of proposed Rule 17a-26(i)(1) mirrors existing SRO CAT Compliance Rules, Proposed Rule 17a-26(i)(1)(vi) would codify into the reporting rule that Industry Members are required to, among other things, record and report information or events as prescribed by the Technical Specifications, including for use by the Central Repository to link and/or create an order event lifecycle using a daisy chain approach or link Customer orders to representative orders created in firm accounts for the purpose of facilitating a Customer order. This provision would make explicit reporting requirements currently imposed on Industry Members and would not add new reporting obligations. Consistent with current practice, if proposed Rule 17a-26 is implemented, the Commission anticipates that linkage processing will continue in a manner similar to what is currently done today with CAT Data by FINRA CAT, including the linkage or creation of order event lifecycles using a daisy chain approach,[309] and linkage of Customer orders to representative orders.[310] The requirement for reporting sufficient for linkage of

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309 See supra notes 293-294 and accompanying text.

310 See CAT NMS Plan, supra note 3, at Appendix D, Section 3 (stating that the CAT "must be able to create the lifecycle between . . . [c]ustomer orders to 'representative' orders created in firm accounts for the

Customer orders to representative orders is in Appendix D of the CAT NMS Plan, which is enforced on Industry Members through SRO CAT Compliance Rules.[311] Proposed Rule 17a-26(i)(1)(vi) is designed to ensure that the rule requires reporting to allow the Commission or the Designee to perform linkage processing in a similar manner as is done by the Plan Processor today, including linkage of representative orders with Customer orders, consistent with current CAT reporting requirements under Rule 613, the CAT NMS Plan, and SRO CAT Compliance Rules. Proposed Rule 17a-26(i)(1)(vi) is not designed to add new reporting obligations or change existing reporting obligations.

2. Received Industry Member Data

Proposed Rule 17a-26(i)(2) would provide, subject to other provisions of this section, that each Industry Member shall record and electronically report to the Central Repository certain information in the manner prescribed by the Technical Specifications. Proposed Rule 17a-26(i)(2) is based on SRO CAT Compliance Rules, and the elements required to be reported pursuant to proposed Rule 17a-26(i)(2) are currently known as "Received Industry Member Data" under the CAT NMS Plan and SRO CAT Compliance Rules.[312] The intent of proposed Rule 17a-26(i)(2) is to require the same recording and reporting of the same elements as currently reportable and reported to the CAT by Industry Members.

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purpose of facilitating a customer order (e.g., linking a customer order handled on a riskless principal basis to the street-side proprietary order"); Industry Member Technical Specifications, supra note 240, ,at Appendix C: Representative Order Linkages (stating that the CAT NMS Plan requires that customer/client orders be linked to representative orders created in firm accounts for the purpose of facilitating the execution of a customer/client order).

311 See, e.g., FINRA Rule 6830(a)(1)(F) (requiring reporting of other information or additional events as may be prescribed pursuant to the CAT NMS Plan); CAT NMS Plan, supra note 3, at Appendix D, Section 3 (stating that the CAT "must be able to create the lifecycle between . . . [c]ustomer orders to 'representative' orders created in firm accounts for the purpose of facilitating a customer order (e.g., linking a customer order handled on a riskless principal basis to the street-side proprietary order)").

312 See, e.g., FINRA Rule 6830(a)(2); CAT NMS Plan, supra note 3, Section 1.1.

Pursuant to proposed Rules 17a-26(i)(2)(i) through (iv), each Industry Member shall record and report to the Central Repository the following, as applicable in the manner prescribed by the Technical Specifications: (i) if the order is executed, in whole or in part, the (A) SRO-Assigned Market Participant Identifier of the clearing broker, if applicable, and the (B) CAT-Order-ID of any contra-side order(s); (ii) if the trade is cancelled, a cancelled trade indicator; (iv) for original receipt or origination of an order, the CCID Generation Data for the relevant account of the order, and the CCID Transaction Enrichment Data for the relevant Customer of the order; and (iv) an Industry Member that operates an ATS must provide to the Central Repository: (A) a list of all of its order types twenty (20) days before such order types become effective and (B) any changes to its order types twenty (20) days before such changes become effective.[313]

Proposed Rule 17a-26(i)(2)(v) states that if an Industry Member is required to submit and submits a trade report for a trade, and, if the trade is cancelled, a cancellation, to one of FINRA's Trade Reporting Facilities, OTC Reporting Facility or Alternative Display Facility pursuant to applicable SRO rules, and the Industry Member is required to report the corresponding execution and/or cancellation to the Central Repository: (A) the Industry Member is required to report to the Central Repository the trade identifier reported by the Industry Member to such FINRA facility for the trade when the Industry Member reports the execution of an order or cancellation of an order pursuant to this section, and such trade identifier must be unique; (B) if the order is executed in whole or in part, and the Industry Member submits the trade report to one of FINRA's Trade Reporting Facilities, OTC Reporting Facility or Alternative Display Facility pursuant to applicable SRO rules, the Industry Member is not required to submit the SRO-

[313] However, proposed Rule 17a-26(i)(2)(iv) would further state that an identifier shall not be required for market and limit orders that have no other special handling instructions.

Assigned Market Participant Identifier of the clearing broker pursuant to this section; provided, however, if the Industry Member does not report the clearing number of the clearing broker to such FINRA facility for a trade, or does not report the unique trade identifier to the Central Repository as required by this section, then the Industry Member would be required to record and report to the Central Repository the clearing number of the clearing broker as well as information about the contra party to the trade; and (C) if the trade is cancelled and the Industry Member submits the cancellation to one of FINRA's Trade Reporting Facilities, OTC Reporting Facility or Alternative Display Facility pursuant to applicable SRO rules, the Industry Member is not required to submit the cancelled trade indicator pursuant to this section; provided, however, if the Industry Member does not report a cancellation for a cancelled trade to such FINRA facility, or does not report the unique trade identifier as required by this section, then the Industry Member would be required to record and report to the Central Repository a cancelled trade indicator as well as a cancelled trade timestamp.

Pursuant to proposed Rule 17a-26(i)(2)(vi), each Industry Member shall record and report to the Central Repository, as applicable in the manner prescribed by the Technical Specifications, an Allocation Report any time the Industry Member performs an Allocation to a Client Account, whether or not the Industry Member was the executing broker for the trade. Pursuant to proposed Rule 17a-26(i)(2)(vii), each Industry Member shall record and report to the Central Repository, as applicable in the manner prescribed by the Technical Specifications, for the original receipt or origination of an order to sell an equity security, whether the order is for a short sale effected by a market maker in connection with bona fide market making activities in the security for which the exception in Rule 203(b)(2)(iii) of Regulation SHO is claimed.

Like for Recorded Industry Member Data (proposed Rule 17a-26(i)(1)) above, proposed

Rule 17a-26(i)(2) is designed to replicate existing reporting obligations for Industry Members, but for Industry Member Data that is received by an Industry Member. The proposal is not designed to add, subtract, or modify existing reporting obligations, but instead require the same reportable elements as are required today to help facilitate a potential transition from reporting to the current Plan Processor to the Commission or the Designee. These proposed data elements are required by SRO CAT Compliance Rules, which were established pursuant to the CAT NMS Plan. These data elements are proposed to be required in proposed Rule 17a-26(i)(2) to ensure there is sufficient information to create the lifecycle of an order, and provide regulators with sufficient detail about an order to perform their regulatory duties.

3. OMM Quote Sent Time

Proposed Rule 17a-26(i)(3) would state that each Industry Member that is an Options Market Maker is not required to report to the Central Repository the information required by paragraphs (i)(1)(ii) and (i)(1)(iv) of this section. Instead, each Industry Member that is an Options Market Maker shall report to the Options Exchange the time at which its quote in a Listed Option is sent to the Options Exchange, and, if applicable, any subsequent quote modification time and/or cancellation time when such modification or cancellation is originated by the Options Market Maker. This provision is based on current SRO CAT Compliance Rules and designed to be consistent with current reporting requirements for Options Market Makers.[314]

As discussed above in Part IV.H.3, proposed Rule 17a-26(i)(3) would allow Industry Members and Participants (in conjunction with proposed Rule 17a-26(h)(3)) to continue reporting options market quotes to the CAT in a manner consistent with what is currently reported pursuant to the CAT NMS Plan and SRO CAT Compliance Rules. Requiring Industry

[314] See, e.g., FINRA Rule 6830(a)(3).

Members that are Options Market Makers to report certain timestamp information to Options Exchanges pursuant to proposed Rule 17a-26(i)(3), and requiring Options Exchanges to report this timestamp information pursuant to proposed Rule 17a-26(h)(3) without change, would mean that the information that regulators would have received if Options Market Makers reported full quotation information to the CAT would be identical to the information that they will receive under the proposed provisions. As the volume of options market maker quotes is larger than any other category of data reported to the CAT,[315] requiring the reporting of full quotation information by Options Market Makers at this time would result in the generation of tens to hundreds of billions of additional daily records and a substantial increase in costs for both Options Market Makers and the Commission or the Designee.

4. Bids and Offers of OTC Equity Securities Traded on an Alternative Trading System

Proposed Rule 17a-26(i)(4) would require each Industry Member that operates an ATS that trades OTC Equity Securities to report to the Central Repository: (i) the best bid and best offer for each OTC Equity Security traded on such ATS; (ii) an indication of whether each bid and offer for OTC Equity Securities was solicited or unsolicited; and (iii) the unpriced bids and offers for each OTC Equity Security traded on such ATS. Proposed Rule 17a-26(i)(4) is based on SRO CAT Compliance Rules,[316] and is designed to be consistent with current reporting requirements with respect to Industry Members that operate an ATS that trades OTC Equity Securities.

Proposed Rule 17a-26(i)(4) would require ATSs that trade OTC Equity Securities to report information about bids and offers about such OTC Equity Securities, providing regulators

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315 See CAT NMS Plan Approval Order, supra note 3, at 84748.

316 See, e.g., FINRA Rule 6830(f).

information regarding important trading venues and improving the regulatory value and utility of the CAT. Absent the proposed rule, the Commission or the Designee would not receive such bid or offer information, removing from regulatory oversight information that is currently available to regulators. Because the proposed requirement is consistent with existing reporting requirements under the CAT NMS Plan and SRO CAT Compliance Rules, ATSs that trade OTC Equity Securities will be able to maintain current reporting practices and would not be required to report any new or additional information than what is currently required by the analogous provision of the SRO CAT Compliance Rules.[317]

5. Industry Member Information

Proposed Rule 17a-26(i)(5) would state that each Industry Member shall submit to the Central Repository information sufficient to identify such Industry Member, including CRD number and LEI, if such LEI has been obtained, prior to such Industry Member's commencement of reporting to the Central Repository, and keep such information up to date as necessary. Proposed Rule 17a-26(i)(5) is based on existing SRO CAT Compliance Rules,[318] and is designed to be consistent with current CAT reporting obligations regarding reporting of Industry Member information. Industry Member information is essential for the regulatory utility of the CAT, as it will allow the Commission or the Designee the ability to reliably identify Industry Members with a unique CAT-Reporter-ID for internal use across all data within the Central Repository, and associate CAT-Reporter-IDs with SRO-Assigned Market Participant Identifiers required to be reported to the CAT pursuant to proposed Rule 17a-26(h)(2), discussed above in Part IV.H.2.

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317 See, e.g., id.

318 See, e.g., FINRA Rule 6850.

Request for Comment

The Commission requests comment on proposed Rule 17a-26(i). Specifically, the Commission solicits comment on the following:

40. Are the reporting requirements in proposed Rule 17a-26(i) consistent with the reporting requirements of the CAT NMS Plan and SRO CAT Compliance Rules? If not, how so?

41. Are any aspects of current reporting by Industry Members not addressed or adequately described in the proposed rule, or, vice versa, are there requirements of proposed Rule 17a-26(i) that would suggest that the rule requires Industry Members to report specific information that is not currently required to be reported today? If so, what information?

42. Should any changes be made to the reporting requirements of Industry Members as described in proposed in Rule 17a-26(i), and if so, what changes should be made?

43. Is it necessary or appropriate for proposed Rule 17a-26(i) to explicitly require that Industry Members are required to, among other things, record and report any information or data needed by the Central Repository to link and/or create an order event lifecycle using a daisy chain approach or link Customer orders to representative orders created in firm accounts for the purpose of facilitating a Customer order? Why or why not?

44. Does proposed Rule 17a-26(i)(3) adequately incorporate existing reporting requirements with respect to Options Market Maker Quotes, and if not, what changes should be made to ensure that the provision is consistent with the CAT NMS Plan and SRO CAT Compliance Rule reporting requirements with respect to Options Market Maker Quotes?

J. Error Correction

Proposed Rule 17a-26(j)(1) would require CAT Reporters to report data to the Central Repository in a manner that ensures the timeliness, accuracy, integrity, and completeness of such data. It would also state that any CAT Reporter having an obligation to report under proposed

Rule 17a-26 that discovers an error in information previously reported pursuant to proposed Rule 17a-26 shall correct such error(s). It would also impose a deadline for correcting errors that have been identified, stating that for each CAT Reporter for which errors in CAT Reporter data submitted to the Central Repository have been identified, such CAT Reporter shall submit corrected data to the Central Repository by 8:00 a.m. Eastern Time on T+3.

Proposed Rule 17a-26(j)(2) would impose a requirement for policies and procedures related to error correction. It would state that each CAT Reporter shall establish, maintain, and enforce written policies and procedures that are reasonably designed to ensure that it complies with any obligations to report information pursuant to this section. In addition, the proposed rule would require each CAT Reporter to review and update its policies and procedures at least annually, and maintain a record of such review.

Proposed Rule 17a-26(j)(1) would impose the same T+3 deadline for initial error corrections as is currently required pursuant to the CAT NMS Plan and SRO CAT Compliance Rules.[319] Some commenters on the Concept Release suggested lengthening this timeframe,[320] but consistent with the goal of maintaining existing reporting requirements, the Commission is not proposing to modify this deadline at this time. The Commission is also aware of commenter concerns about maintaining an ability to repair CAT errors, including opposition to reducing the number of opportunities and effective timespans for Industry Members to repair linkage and

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319 See CAT NMS Plan, supra note 3, at Appendix D, Section 6.1; FINRA Rule 6830(e) (stating that "[f]or each Industry Member for which errors in Industry Member Data submitted to the Central Repository have been identified by the Plan Processor or otherwise, such Industry Member shall submit corrected Industry Member Data to the Central Repository by 8:00 a.m. Eastern Time on T+3").

320 See FIF Letter, supra note 86, at 36 (stating that "FIF members request that FINRA CAT consider the possibility of extending the current repair periods, as this would improve the quality of the CAT audit trail and reduce internal costs for reporting firms," and that "FIF members understand that any proposal to extend the current repair periods would need to be implemented in a manner that does not increase CAT operating costs").

other CAT errors,[321] and requests for more efficient means of correcting errors, such as allowing firms to remediate errors without resubmitting the entire record.[322] Maintaining existing obligations and timelines for error correction would allow the Commission or the Designee to, at minimum, maintain current processing and feedback practices with respect to errors, while maintaining the ability to make system changes to provide more feedback or make other changes to improve and facilitate the error correction process for CAT Reporters in the future.

Proposed Rule 17a-26(j) would differ in some respects from existing requirements with respect to error rates and error correction. Currently the CAT NMS Plan imposes a system error rate,[323] and the Participants have Industry Member-specific metrics established pursuant to SRO CAT Compliance Rules.[324] In contrast, proposed Rule 17a-26 will not have any specific

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321 See, e.g., FIF Letter, supra note 86, at 36 (stating that "FIF members are opposed to reducing the number of opportunities and effective timespans for Industry Members to repair linkage and other CAT errors"); Robinhood Letter, supra note 67, at 11 (stating that "[s]hortening the current T+3 window to T+1 or T+2 would be impractical and counterproductive); Apex Clearing Letter, supra note 255, at 7 (stating that "[t]he T+3 error correction window, while reasonable for single-pipeline reporters, does not account for the additional diagnostic steps required when a clearing firm must coordinate across multiple reporting agents to identify the source of an error," and that "[t]he Commission should consider whether clearing firms and other multi-vendor reporters should be afforded a longer correction window, such as T+5").

322 See, e.g., Citadel Letter, supra note 83, at 3 (stating that "FINRA CAT should allow firms to remediate errors associated with a given record without resubmitting the entire record," which would "significantly reduce message volume, processing costs, and storage requirements while accelerating error resolution and improving data quality"); FIF Letter, supra note 86, at 37 (stating that in a scenario in which an Industry Member "now needs to resubmit millions of historical CAT events," that "[i]n place of the Industry Member resubmitting millions of historical CAT events in this scenario, CAT could make available a form for the Industry Member to report this scenario"). See also Apex Clearing Letter, supra note 255, at 8 (recommending that the Commission direct the Plan to enhance the report card system to provide more granular, actionable error detail).

323 See, e.g., CAT NMS Plan, supra note 3, Section 6.5(d) (stating that the Operating Committee shall set and periodically review a maximum Error Rate for data reported to the Central Repository, and that the initial maximum Error Rate shall be set to 5%). Rule 613 required that the CAT NMS Plan specify a maximum error rate, describe the basis for selecting such maximum error rate, explain how the plan sponsors will seek to reduce such maximum error rate over time, describe how the plan will seek to ensure compliance with such maximum error rate and, in the event of noncompliance, will promptly remedy the causes thereof, and require the central repository to measure the error rate each business day and promptly take appropriate remedial action, at a minimum, if the error rate exceeds the maximum error rate specified in the plan. See 17 CFR 242.613(e)(6)(i) and (ii).

324 See, e.g., FINRA Rule 6893 (stating that each Industry Member shall be required to meet a separate compliance threshold which will be an Industry Member-specific rate that may be used as the basis for

compliance thresholds within the proposed rule. Instead, proposed Rule 17a-26(j) is designed to impose obligations to report accurate information to the CAT, and an obligation to correct any errors discovered after submission, while requiring the establishment, maintenance, and enforcement of written policies and procedures reasonably designed to ensure compliance with these obligations.

Proposed Rule 17a-26(j) states that CAT Reporters must report data to the CAT in a manner that ensures the timeliness, accuracy, integrity, and completeness of such data because erroneous CAT Data limits the regulatory value of the information and regulatory utility of the CAT. Similarly, the proposed rule imposes an obligation on CAT Reporters to correct errors in previously reported information so that the accuracy, integrity, and completeness of such information is maintained. If CAT submissions are substantially late, inaccurate, unreliable, or incomplete, the regulatory benefits of collecting such information could be substantially diminished or eliminated. Timely information allows for more effective processing of such information and the ability for regulators to review information on a timely basis. Accuracy refers to the need for CAT data to accurately reflect the reportable event—if CAT data is inaccurate it does not accurately reflect the relevant order or order event and could lead to many different issues, including misleading or incorrect analysis by regulators. Integrity of CAT submissions and data is essential in ensuring that such information has not been altered and remains reliable. Finally, completeness is necessary for processing of CAT submissions and for regulatory purposes, as incomplete records could frustrate the ability of the CAT to process and link records and reduce the regulatory utility of the CAT.

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further review or investigation into the Industry Member's performance with regard to the CAT, and that these compliance thresholds will compare an Industry Member's error rate to the aggregate Error Rate over a period of time to be defined by the Operating Committee).

The proposed rule maintains a deadline of reporting corrections for identified errors by 8:00 a.m. Eastern Time on T+3, which is consistent with existing requirements under the CAT NMS Plan. Even with a CAT Reporter's best efforts, initial submissions to the CAT could be "erroneous" and require correction. For example, proposed Rule 17a-26 imposes deadlines for initial CAT reporting that are similar to what is currently required, and a CAT Reporter may not have all of the information required for a fully complete and accurate submission by that deadline, or be informed after such deadline that there needs to be a correction or modification to the submission. The Commission anticipates that, like today, CAT submissions would be processed and validated with issues identified and relevant CAT Reporter(s) informed of what the error or issue is with the submission files.

Proposed Rule 17a-26(j)(2) would require the development of written policies and procedures by CAT Reporters that are reasonably designed to ensure that it complies with any obligations to report information pursuant to this section, which should help ensure that CAT Reporters are reporting in a consistent manner and in a way designed to help ensure the timeliness, accuracy, integrity and completeness of reporting. The proposed rule would require that such written policies and procedures be reasonably designed, which means that such policies and procedures may differ amongst CAT Reporters, as there are CAT Reporters of different sizes, different business practices, and other differences that would make any one specific approach to written policies and procedures impractical. Requiring that each CAT Reporter review and update these policies and procedures at least annually, and maintain a record of such review, should help ensure that such policies and procedures remain reasonably designed for complying with obligations to report information pursuant to proposed Rule 17a-26.

Request for Comment

The Commission requests comment on proposed Rule 17a-26(j). Specifically, the Commission solicits comment on the following:

45. Should any changes be made to the error correction requirements proposed in Rule 17a-26(j), and if so, what changes should be made?

46. Is it appropriate to require policies and procedures reasonably designed to ensure compliance with proposed Rule 17a-26? Is it appropriate to require review and updates to these policies and procedures at least annually? Is there a better way to ensure compliance with reporting and error correction obligations of proposed Rule 17a-26? If yes, how so?

K. Reference Data Reporting

Proposed Rule 17a-26(k) would define what and how certain information regarding accounts and Customers ("Reference Data") would be reported to the CAT, in a manner consistent with current requirements of the CAT NMS Plan. The provisions of proposed Rule 17a-26(k) are designed to capture the existing reporting requirements relating to Reference Data under the current CAT NMS Plan, including exemptive relief and Plan amendments previously approved by the Commission.

At the inception of CAT, customer information was required to be reported and maintained in CAT to enable regulators to more quickly and reliably identify the customers associated with potentially unlawful trading activity and to facilitate the reconstruction of important market events.[325] At the same time, the Commission has sought to balance these benefits against the risks associated with collecting and storing personally identifiable investor information. From the start, for example, personal customer information in CAT was stored separately from transaction data. In addition, due to exemptive relief and amendments to the

[325] See Rule 613 Adopting Release, supra note 1, at 45731, 45772.

CAT NMS Plan, certain sensitive PII, such as SSNs, has never been required to be reported to the CAT.

In 2020, in light of concerns raised by market participants, industry representatives and the Participants, the Commission granted exemptive relief that limited the personal customer information that must be reported to the CAT to name, address, and birth year ("CCID Exemption Order").[326] The CCID Exemption Order also permitted the Participants to implement the CCID alternative or CCID process. Under the CCID alternative, the Plan Processor generates a unique CAT Customer-ID, or CCID, using a two-phase transformation process that avoids having SSNs/ITINs reported to or stored in the CAT. In the first transformation phase, a CAT Reporter transforms the SSN/ITIN into an interim transformed value. This transformed value, and not the SSN/ITIN, is submitted to a separate system within the CAT ("CCID Subsystem"), keeping it apart from other customer and account information. The CCID Subsystem then performs a second transformation to create the globally unique CCID for each Customer that is unknown to, and not shared with, the original CAT Reporter. The CCID is then sent to the customer and account information system ("CAIS") of the CAT, where it is linked with the other customer and account information. The CCID may then be used by the Participants' regulatory staff and Commission staff in queries and analysis of CAT data.

The CCID approach was developed by the Participants in collaboration with Industry Members.[327] The ability to generate CCIDs preserves a core regulatory purpose of the CAT by

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326 See Securities Exchange Act Release No. 88393 (Mar. 17, 2020), 85 FR 16152, 16156 (Mar. 20, 2020) ("CCID Exemption Order").

327 See Participant Letter, supra note 32, at 7 (stating that "[t]he current approach to generating CCIDs was developed by CAT LLC's Chief Information Security Officer and the chief information security officer from each of the Participants, in consultation with security experts from member firms of SIFMA"); NYSE Letter I, supra note 32, at 7 (stating that "CCIDs were developed in collaboration with Industry Members and represent a fundamental enhancement of the CAT over previous order and trade data collections,"

allowing for the tracking of a specific order of a Customer throughout its entire lifecycle without the reporting or storage of social security numbers and other personally identifiable information in the CAT. The ability to link information about order events throughout the national market system to a unique customer identifier is one of the core regulatory advances of the CAT over the fragmented regulatory data sources that preceded it.

In February 2025, the Commission provided an exemption from the requirement to report other personal customer information not covered by the CCID Exemption Order, specifically names, addresses, and years of birth (collectively, "Name, Address, and YOB") for natural persons with SSNs or ITINs (the "CAIS Exemption Order").[328] The CAIS Exemption Order did not extend this relief to the reporting of customer information of foreign natural persons and legal entities. The Commission explained that it weighed the benefits of maintaining certain PII in the CAT differently in light of both the heightened security risks posed by the increased sophistication of bad actors and the prospect of relatively efficient indirect access to customer information.[329] The Commission concluded that the regulatory benefit of collecting the names, addresses and years of birth for natural persons reported with transformed SSNs no longer justified the associated risks.[330] The Commission emphasized, however, that the system of generating reliable CCIDs—the anonymized, unique customer identifiers contained in the CAT that are linked to each order event captured in the transaction database—would not be

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including "permit[ting] the CAT to retain limited, anonymized customer information without the ostensible privacy concerns associated with the former CAIS system").

328 See Securities Exchange Act Release No. 102386 (Feb. 10, 2025), 90 FR 9642, 9643 (Feb. 14, 2025), https://www.sec.gov/files/rules/sro/nms/2025/34-102386.pdf ("CAIS Exemption Order").

329 Id. at 9644.

330 Id. at 9644-45.

impacted.[331] Thus, if a regulator needs to determine the identity of the individual behind a particular CCID, the regulator would be able to use one or more of the Firm Designated IDs ("FDIDs") associated with the CCID and contact the broker-dealer(s) who reported the FDID(s) and request the name, address and/or year of birth for the individual Customer.[332]

The Commission later approved an amendment to the CAT NMS Plan that eliminated all CAT NMS Plan requirements to report Names, Addresses, YOBs, SSNs/ITINs, and EINs to the CAT and to remove such previously reported customer information stored in the CAT,[333] as well as codified the Participants' current method of generating anonymized customer identifiers without requiring the receipt or storage of individual SSNs/ITINs in the CAT.[334]

On March 27, 2026, the Commission approved an amendment to the CAT NMS Plan that: (i) eliminated both the requirement to report Account Reference Data and Customer Reference Data to the CAT; (ii) eliminated CAIS from the CAT and instead established the "Reference Database"; (iii) and allowed for the implementation of the "Reference Data Approach," which utilizes a revised approach for the generation of CCIDs that minimizes the data needed for its creation.[335] Under the Reference Data Approach, certain previously required information would not be reported to the CAT, such as Large Trader IDs ("LTIDs") and LEIs, and the Reference Database would be limited to the storage of CCID Generation Data and CCID Transaction Enrichment Data, as defined in Part IV.A above, as well as account type, clearing

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331 Id. at 9645.

332 Id.

333 See Securities Exchange Act Release No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16, 2026) ("CAIS Amendment Approval Order"). This effectively codified and expanded upon the prior exemptive relief from the requirement to report Names, Addresses, and YOBs for natural persons with social security numbers or tax-payer identification numbers. See also CAIS Exemption Order, supra note 328, at 9643.

334 See CAIS Amendment Approval Order, supra note 333, at 2166.

335 See Securities Exchange Act Release No. 105107 (Mar. 27, 2026), 91 FR 16284 (Apr. 1, 2026) ("2025 Cost Savings Amendment Approval Order").

broker, branch office, registered representative, and individual's role in the account. As noted above, proposed Rule 17a-26(k) is designed to be consistent with previously granted exemptive relief and amendments to the CAT NMS Plan, and more specifically, the elements required to be reported pursuant to the Reference Data Approach currently used by the Participants.

1. Required Reference Data Reporting

Proposed Rule 17a-26(k)(1) would list the data elements each Industry Member must submit to the Commission or the Designee for each of its Customers with an Active Account(s) prior to the Industry Member's commencement of reporting to the Commission or the Designee. Specifically, Industry Members would be required to report: (i) TID[336] and TID Type,[337] or for Customers for which a foreign identifier is used for the generation of the Transformed Identifier, TID, Foreign TID Country Code,[338] and Foreign TID Type;[339] (ii) Firm Designated ID;[340] (iii)

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336 TID would be defined in proposed Rule 17a-26(a)(42) to mean a transformed version of the input used to identify unique Customers, where such inputs may include, but are not limited to SSN/ITIN, EIN (including QI-EIN, WP-EIN, and WT-EIN), or certain foreign identifiers.

337 TID Type would be defined in proposed Rule 17a-26(a)(43) to mean the type of identifier used to create the Transformed Identifier (e.g., SSN/ITIN, EIN or foreign identifier).

338 Foreign TID Country Code would be defined in proposed Rule 17a-26(a)(22) to mean the country that issued the foreign identifier used to create the Transformed Identifier.

339 Foreign TID Type would be defined in proposed Rule 17a-26(a)(23) to mean, for foreign customers, the type of foreign identifier used to create the Transformed Identifier (e.g., passport, LEI, or driver's license).

340 Firm Designated ID would be defined in proposed Rule 17a-26(a)(21) to mean (1) a unique and persistent identifier for each trading account designated by Industry Members for purposes of providing data to the Central Repository, provided, however, such identifier may not be the account number for such trading account if the trading account is not a proprietary account; (2) a unique and persistent relationship identifier when an Industry Member does not have an account number available to its order handling and/or execution system at the time of order receipt, provided, however, such identifier must be masked; or (3) a unique and persistent entity identifier when an employee of an Industry Member is exercising discretion over multiple client accounts and creates an aggregated order for which a trading account number of the Industry Member is not available at the time of order origination where each such identifier is unique among all identifiers from any given Industry Member. See supra Part IV.A.

Date FDID Opened;[341] (iv) Date FDID Closed;[342] (v) Customer Role Start Date;[343] (vi) Customer Role End Date;[344] (vii) customer type; (viii) account type; (ix) clearing broker; (x) branch office; (xi) registered representative; and (xii) individual's role in the account.

The proposed list of required Reference Data elements is designed to match what is currently required to be reported by Industry Members under the Reference Data Approach.[345] Under what is proposed by Rule 17a-26(k)(1), Industry Members would be required to collect and record certain identification information for their Customers (such as SSNs, ITINs, Employer Identification Numbers ("EINs") or foreign identifiers), and instead of submitting such information to the Commission or the Designee directly, each Industry Member would submit: (1) the hashed version of each Customer's identification information, which would be referred to

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341 Date FDID Opened would be defined in proposed Rule 17a-26(a)(19) to mean the date the relevant account for the order was opened; except that (a) in those circumstances in which an Industry Member has established a trading relationship with an institution but has not established an account with that institution, the Industry Member will provide the Account Effective Date in lieu of the Date FDID Opened; and (b) in those circumstances in which the relevant account was established prior to the time the Industry Member begins reporting to the Central Repository and no "date account opened" is available for the account, the Industry Member will provide the Account Effective Date in the following circumstances: (i) where an Industry Member changes back office providers or clearing firms and the date account opened is changed to the date the account was opened on the new back office/clearing firm system; (ii) where an Industry Member acquires another Industry Member and the date account opened is changed to the date the account was opened on the post-merger back office/clearing firm system; (iii) where there are multiple dates associated with an account in an Industry Member's system, and the parameters of each date are determined by the individual Industry Member; and (iv) where the relevant account is an Industry Member proprietary account.

342 Date FDID Closed would be defined in proposed Rule 17a-26(a)(18) to mean the date the relevant account for the order was closed (or relationship or entity identifier was ended) at the Industry Member.

343 Customer Role Start Date would be defined in proposed Rule 17a-26(a)(17) to mean the date the Customer became associated with the relevant account for the order.

344 Customer Role End Date would be defined in proposed Rule 17a-26(a)(16) to mean the date the Customer is no longer associated with the relevant account for the order.

345 See also CAT NMS Plan, supra note 17, Section 1.1 (Definitions). The Commission is not proposing to collect any new personally identifiable information, or return to collecting certain personally identifiable information as suggested by a commenter on the Concept Release. See Healthy Markets Letter, supra note 43, at 14 (recommending "restoring the collection of some personally identifiable information that has already been stripped out").

as the Transformed Identifier or TID, as well as (2) the type of identifier used to create the Transformed Identifier (e.g., SSN/ITIN, EIN or foreign identifier), and such type of identifier would be referred to as the Transformed Identifier Type or TID Type.[346] The process for generating CCIDs from this information would be materially the same as the current process, using a combination of TID, TID Type, Foreign TID Type and Foreign TID Country Codes to generate CCIDs based on a combination of these field values.[347] The Commission or the Designee would maintain the ability to enrich Reportable Events for an order with the CCID for the relevant Customer using the FDID as the key and map CCIDs to FDIDs, which would allow regulators to associate a Customer with transaction data. With enriched Reportable Events, regulators could track the same CCID and Customer across different FDIDs and across different Industry Members.

The information required to be reported by proposed Rule 17a-26(k) would allow the Commission or the Designee to generate a unique CCID using the same two-phase transformation process that is currently used and which avoids having SSNs/ITINs or other personally-identifying information like names and addresses reported to or stored in the CAT. The information required by proposed Rule 17a-26(k)(1) greatly facilitates the regulatory and

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346 See 2025 Cost Savings Amendment Approval Order, supra note 335, at 16302. To be consistent with the Reference Data Approach, for foreign Customers, each Industry Member would be required to submit two items in addition to the TID and TID Type; Industry Members also would be required to submit (1) the Foreign TID Type, which is the type of foreign identifier used to create the TID (*e.g.*, passport, LEI, driver's license), and (2) the Foreign TID Country Code, which is the country that issued the foreign identifier used to create the TID. See id.

347 See id. One commenter on the Concept Release suggested that storage of TID presents a vulnerability known as a "rainbow table attack," and suggests modifying the CAT system such that TIDs are further encrypted to another value. See FIF Letter, supra note 86, at 36-37. The Commission encourages discussion of this issue with the Participants and Plan Processor but understands that the proposed solution to the commenter's issue would not require a change to the reporting rule and would instead require a change to how TIDs are ingested and then stored. See id. at 56-66 (describing a potential approach to addressing the commenter's concern about the storage of TID).

surveillance efforts of the Participants and the Commission by, among other things, enabling regulators to detect potentially unlawful trading activity and to identify those responsible for or victims of it.[348] Proposed Rule 17a-26(k)(1) would require reporting of information necessary for the Commission or the Designee to have the ability to provide customer attribution of order and trade activity even if such trading activity spans multiple broker-dealers, and without this ability, the value and usefulness of the CAT would be significantly diminished.[349]

An absence of reporting requirements for the information required to generate CCIDs, or a similar customer-identifying value, would increase the necessity for regulators to obtain customer information directly from broker-dealers, in turn substantially increasing burdens and costs on both regulators and broker-dealers.[350] As a Participant stated in a comment letter on the Concept Release, "the alternative means of associating transactional data with customer and

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348 See also FINRA Letter, supra note 11, at 12 (stating that "FINRA has used CCID to enhance and better direct its oversight effort"); NYSE Letter I, supra note 32, at 7 (stating that "[i]t is widely accepted that the implementation of an anonymous customer identification methodology was – and remains – fundamental to the CAT's utility as a regulatory tool"); Cboe Letter, supra note 32, at 7 (stating that "full, fair and equal access to customer and account identification must continue to be available to all SROs"); MEMX Letter, supra note 32, at 2 (stating that "[c]ritically, the CAT contains order and trade information across all markets and also provides unique identifiers for end-customers as well as other information that regulators would not be able to obtain without the CAT, or that may not be generally available in existing surveillance tools").

349 The Commission disagrees with commenters on the Concept Release that state that CCID is not necessary for the core regulatory mission of CAT. See, e.g., ASA Letter, supra note 46, at 1 (stating that "CAIS and CCID data has never been necessary for the CAT to fulfill its core regulatory mission") and at 6 (stating that "[t]he Commission's stated objectives of improved market surveillance, event reconstruction, and market analysis do not require CAIS data or the CCID," and that "[a]s the Commission is aware, order-level data tied to broker/account identifiers is sufficient for event reconstruction and market surveillance without using an identifier to link back to American investors").

350 See NYSE Letter I, supra note 32, at 7 (stating that CCIDs, "and the ability to track customer activity across markets, brokers, and accounts," are "needed for the NYSE Exchanges to comply effectively with their SRO obligations," and if CCIDs were eliminated or curtailed, "NYSE Regulation would be reliant on detailed requests for information . . . to obtain customer-level data from its members," which "would impose compliance costs on Industry Members that would offset or exceed any savings from eliminating CCIDs"); NYSE Letter II, supra note 33, at 4 (stating that "[t]he overall costs to Industry Members . . . will *increase* without the use of CCIDs (or another anonymized unique customer identifier) and/or FDIDs") (emphasis in original); FINRA Letter, supra note 11, at 13 (stating that "CCID provides significant regulatory value and reduces additional data requests to the industry").

account-level information – which is critical – is for a regulator to request this information directly from Industry Members," and that "assembling an audit trail in this fashion is a highly manual, inefficient, and time-intensive process."[351] In addition, the usage of a customer-identifying value reduces "false positives" by allowing regulators to surveil and monitor the markets without onerous requests for information from broker-dealers.[352]

While some commenters on the Concept Release called for the elimination of CCIDs and increased reliance on EBS or ad hoc requests for customer identifying information from broker-dealers,[353] CAT LLC stated that, "[b]ased on discussions with Industry Members, CAT LLC understands that most Industry Members support the continued existence of the CCID because the cost to firms of responding to the anticipated increased number of electronic blue sheet

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351 See NYSE Letter II, supra note 33, at 4. See also FINRA Letter, supra note 11, at 12-13 (stating that, "[i]n some cases, CCID has allowed FINRA to identify related accounts engaged in problematic activity," and that "absent CCID, could only have been connected through substantial investigative effort that would have required multiple information requests to firms outside of the audit trail").

352 See, e.g., FINRA Letter, supra note 11, at 13 (stating that "CCIDs have been used to contextualize trading activity that otherwise appeared to be suspicious based on less precise account-level identifiers—meaning FINRA can close this kind of activity out without sending firm requests"); Nasdaq Letter I, supra note 32, at 4 (stating that "Nasdaq Regulation generally can rely on FDIDs and CCIDs to identify the respective broker-dealer and anonymized party responsible for a trade—shielding many brokers from informational requests that would otherwise be necessary to trace the origin of a potentially manipulative order") (footnote omitted); NYSE Letter I, supra note 32, at 7 (stating that CCIDs "are key to reducing false positives and expansive and burdensome investigative requests that increase Industry Members' overall cost environments").

353 See, e.g., Private Investor Coalition, supra note 165, at 5 (recommending that "the Commission evaluate whether the persistent CCID identifier is consistent with privacy best practices or whether it should be replaced with a system in which customer-level linkage is generated only at the time of a specific regulatory inquiry, using information provided by the relevant broker-dealer in response to a targeted request, rather than maintained on a standing basis in the CAT database"); ASA Letter, supra note 46, at 7 (stating that "[t]he Commission can request customer information when it suspects a regulatory violation may have occurred by requesting it from broker-dealers who are required to respond to such requests within 24 hours," and that "[b]roker-dealers already maintain the account-level records necessary to respond to a targeted regulatory inquiry, which makes order-level data tied to anonymized, firm-assigned account identifiers sufficient for trade reconstruction, market surveillance, and cross-market analysis"); Data Boiler Letter, supra note 66, at 27 (requesting to "[d]itch the entire CAIS," and stating that, "[u]pon identifying suspicious activities, then summon the account details from broker-dealers or through a vendor system on a case-by-case basis").

requests and other regulatory requests that would result from eliminating the CCID would be greater than any corresponding reduction in the CAT budget."[354] The maintenance of a customer-identifier within the CAT system is also important for development of a potential request-response system,[355] and the potential retirement of EBS for equities and options, which is favored by many commenters on the Concept Release.[356]

Some commenters on the Concept Release raised concerns about CCID for privacy

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354 See Participant Letter, supra note 32, at 8.

355 See FINRA Letter, supra note 11, at 13 (stating that "FINRA has been considering how a request-response system might be developed and has begun to discuss the concept with industry members," and that "[i]ndustry groups have also supported FINRA efforts towards a solution, and FINRA plans to engage the industry shortly for specific input on potential system design and operation").

356 See, e.g., FIF Letter, supra note 86, at 38-43; Apex Clearing Letter, supra note 255, at 3-4 (recommending the Commission retire EBS in reliance on a request-response system utilizing CAT's existing CCID and FDID identifiers); Raymond James Letter, supra note 111, at 4 (stating that "[r]egulators should use CAT and CAIS linkage data, including FDID and CCID information, to perform surveillance, pattern analysis, and trade reconstruction to the fullest extent possible before requesting additional customer identity information from firms"); SIFMA Letter, supra note 83, at 66 (stating that request-response system "should allow all regulators (the Commission, FINRA, and other SROs) to efficiently" use CCID-FDID mapping to contact broker-dealers securely and obtain relevant customer and account information via a secure, automated request-response system); SIFMA Letter, supra note 66, at 15 (requesting development of a request-response system and stating that regulators should be allowed to use CCID – FDID mapping such that they will be able to contact broker-dealers securely through a request-response system to notify broker-dealers of the FDID associated with a particular account). See also FINRA Letter, supra note 11, at 14 (noting that a request-response system would facilitate the retirement of EBS).

reasons,[357] including the cybersecurity threat that maintaining CCID could present.[358] The CCID process, combined with the elimination of PII reporting as described above in Part IV.K, preserves the regulatory benefits of the CAT while mitigating the privacy, security, and other risks associated with capturing and storing personal customer information like Names, Addresses and YOBs in the CAT. While pursuant to proposed Rule 17a-26(k)(1) (and consistent with current reporting requirements), Industry Members would still be required to transform SSNs/ITINs/government issued ID numbers into interim values and report those TIDs to the Commission or the Designee for each order, proposed Rule 17a-26 would not require the collection of government issued ID numbers, names, addresses, dates of birth, or similar identifying information by the Central Repository. In addition, the CAT NMS Plan imposes numerous requirements related to data security, access, and logging, that are reasonably designed to prevent a regulator from using CCIDs (and other CAT Data) for non-regulatory purposes,[359]

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357 See Private Investor Coalition, supra note 165, at 2 (stating that "[w]hile CCID is not itself a name or social security number, it functions as an effective identifier when combined with other available data" and that "[t]he Commission should evaluate whether the CCID system provides meaningful privacy protection or whether it constitutes a persistent surveillance identifier for natural persons who are market participants"); Letter from Nick Morgan, Founder and President, Investor Choice Advocates Network, to Vanessa Countryman, Secretary, Commission (June 21, 2026), at 9, available at https://www.sec.gov/comments/S7-2026-12/s7202612-856519-2636008.pdf ("ICAN Letter") (stating that "CCID does not provide meaningful constitutional protection," and stating that it is "[a] pseudonymous identifier tethered to a comprehensive, lifelong trading history," and "is functionally no less identifying than a Social Security number: the totality of an individual's trading record—its timing, amounts, securities, order types, and patterns—constitutes a unique financial fingerprint that can be linked to a known identity through standard analytical techniques"); ASA Letter, supra note 46, at 5 (stating that "[t]he CCID makes this surveillance qualitatively worse than mere data collection," and that "[a] persistent identifier cannot be unrung," and "[o]nce generated, the CCID follows the investor everywhere in the market"), Data Boiler Letter, supra note 66, at 14 ("We are suspicious about the focus of unique identifiers – CAT Customer-ID (CCID) and how it may be misused rather than fulfilling the Congress's original mandate for flash crash prevention").

358 See ASA Letter, supra note 46, at 6 (stating that the CCID is a cybersecurity threat multiplier and that "[a] breach could leak highly-confidential information about trading strategies or positions, expose proprietary information about significant business relationships, compromise regulatory efforts, and allow cybercriminals to gain access to individuals' brokerage accounts").

359 See, e.g., CAT NMS Plan, supra note 3, at Section 6.5. In addition, certain information is subject to even greater access controls than others, such as TIDs. See CAIS Amendment Approval Order, supra note 333, at 2168 (stating that the Participants state that "TIDs are reported and stored in an isolated, secure database

and the Commission anticipates that if it were to adopt proposed Rule 17a-26, that substantially similar requirements would be applied by the Commission.

Commenters on the Concept Release also raised constitutional or other objections to the current approach to CCIDs.[360] The Commission, however, has authority under the Exchange Act to require reporting of trade and order data, including the records used to derive CCIDs, and the collection of that information does not implicate the First, Fourth, or Fifth Amendments, or otherwise violate the Constitution. One of these commenters also stated that the implementation of CCIDs is unlawful because it violates the E-Government Act, which the commenter stated requires federal agencies to conduct a privacy impact assessment before developing or procuring information technology that collects information and before initiating a new collection of information.[361] However, contrary to the commenter's assertion, because the information required to be collected under Rule 613 is collected by the CAT NMS Plan Processor, which is managed by the Participants and not by the Commission, a Privacy Impact Assessment has not previously been and is not now required.

The other six categories of information that would be required to be reported pursuant to proposed Rule 17a-26(k)(1), specifically customer type, account type, clearing broker, branch office, registered representative, and individual's role in the account, could also reduce the

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called the CCID Subsystem, separate from other information reported to CAIS and with very limited access by Plan Processor staff") (citation omitted).

360 See, e.g., ASA Letter, supra note 46, at 7-10 (stating that the approach to CCIDs is independently unlawful on multiple constitutional and statutory grounds, including the Fourth Amendment, lack of statutory authority, non-delegation doctrine, the right to privacy, the First Amendment, and the E-Government Act); ICAN Letter, supra note 357, at 9 (stating that "CCID does not provide meaningful constitutional protection"); New Civil Liberties Alliance Letter, supra note 47, at 2 (stating that CCID does not "solve" the Fourth Amendment problem and "the CCID operates as a permanent financial tracking device, which only exacerbates the constitutional injury because it enables the Commission to link investors' trades across trading platforms and accounts," and "[s]o, the manifold constitutional and legal infirmities associated with the CAT's collection of PII apply with even greater force to the CCID").

361 See ASA Letter, supra note 46, at 9-10 (citing E-Government Act of 2002, Pub. L. 107-347, sec. 208).

number of requests regulatory staff would have to make to Industry Members if regulators do not otherwise have access to such information. The ability to access information regarding customer type, account type, clearing broker, branch office, registered representative, and individual's role in the account, would assist regulators in effectively performing regulatory functions including investigations, enforcement, and surveillance without requiring regulators to directly obtain such information from Industry Members through Electronic Blue Sheet requests or other inquiries. Such information is also currently collected from Industry Members pursuant to the Reference Data Approach, and continuing to require this information, as well as other Reference Data to be reported to the Commission or the Designee, will not impose on Industry Members any new or additional reporting obligations.

2. Updates and Error Correction for Reference Data

Proposed Rule 17a-26(k)(2), (3), and (4) would define requirements relating to updates and error correction for Reference Data required by proposed Rule 17a-26(k)(1). Specifically, Rule 17a-26(k)(2) would require the submission of any updates, additions, or other changes to the information required by paragraph (k)(1) of this section, for each of its Customers with an Active Account on a daily basis. The provision would state that Industry Members submitting new or modified Reference Data must provide it to the Central Repository no later than 8:00 a.m. Eastern Time on T+1.

Proposed Rule 17a-26(k)(3) would require periodic updates to Reference Data. The provision would state that, on a periodic basis as designated by the Commission or the Designee, each Industry Member shall submit to the Central Repository a complete set of Firm Designated IDs, the Transformed Identifier, and other information required by paragraph (k)(1) of this section for each of its Customers with an Active Account.

Proposed Rule 17a-26(k)(4) addresses error correction requirements for Reference Data.

It would state that CAT Reporters must report data to the Central Repository in a manner that ensures the timeliness, accuracy, integrity, and completeness of such data, and that any CAT Reporter having an obligation to report under this section that discovers an error in information previously reported pursuant to paragraph (k)(1) of this section shall correct such error(s). The provision would also state that for each Industry Member for which errors in the information required by paragraph (k)(1) of this section, for each of its Customers with an Active Account submitted to the Central Repository have been identified by the Commission, the Designee, or otherwise, such Industry Member shall submit corrected data to the Central Repository by 5:00 p.m. Eastern Time on T+3.

The requirements for daily and periodic updates, as well as error correction of Reference Data, are based in part on existing obligations imposed on Industry Members through SRO CAT Compliance Rules, which require daily updates, periodic updates, and error correction of customer information.[362] However, as compared to current SRO CAT Compliance Rules, these provisions have been modified for the Reference Data Approach, specifically so that Industry Members submitting new or modified Reference Data must provide it to the Central Repository no later than 8:00 a.m. Eastern Time on T+1. This timeline for Reference Data reporting is required by the CAT NMS Plan but is not currently reflected in SRO CAT Compliance Rules.[363]

The requirements for daily updates, periodic updates, and error correction of Reference Data are designed to help ensure that the elements required to be reported pursuant to proposed Rule 17a-26(k)(1) are reported with timeliness, accuracy, integrity, and completeness, which is essential for the ability of regulators to reliably use such information for regulatory purposes.

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362 See, e.g., Nasdaq Rules General 7, Section 4(b), (c), and (d).

363 See CAT NMS Plan, supra note 3, Appendix D, Section 6.2.

The proposed requirement would be consistent with the CAT NMS Plan and current practice, and would help ensure that CAT Reporters have an obligation to correct errors that are discovered in previously reported Reference Data as well as provide a deadline for such corrections.

Request for Comment

The Commission requests comment on proposed Rule 17a-26(k). Specifically, the Commission solicits comment on the following:

47. Is proposed Rule 17a-26(k), where intended, consistent with Rule 613, the CAT NMS Plan, and SRO CAT Compliance Rules reporting requirements related to the Reference Data Approach? Should any changes be made to ensure that Reference Data reporting requirements, where intended, are consistent with what is currently required to be reported pursuant to Rule 613, the CAT NMS Plan, and SRO CAT Compliance Rules?

48. Is it appropriate to maintain the Reference Data Approach as currently implemented pursuant to the CAT NMS Plan? Is there a better alternative that would allow for customer attribution of order and trade activity even if such trading activity spans multiple broker-dealers and minimize the need for ad hoc requests of additional information from broker-dealers?

49. Should any elements currently required to be reported to the CAT pursuant to the Reference Data Approach no longer be required to be reported? Would removal of these elements lead to additional requests to broker-dealers for additional information?

50. Should any additional elements be required to be reported under the Reference Data Approach, including to reduce the number of EBS or ad hoc requests for additional information? If so, what elements? Would the benefits of such additional elements justify the burden and costs of reporting?

L. Exceptions to Reporting Requirements

The Commission is proposing Rule 17a-26(l) to provide for exceptions to the reporting requirements of Rule 17a-26 that are generally consistent with exemptive relief previously granted by the Commission and CAT NMS Plan amendments previously approved by the Commission. Much of the information excepted from reporting requirements in this section of the rule has never been reported and never been collected by the Central Repository. Codification of these exceptions in the new reporting rule will help ensure that when the reporting obligation of CAT Reporters shifts to the Commission or the Designee, CAT Reporters are not unexpectedly required to report certain information that is currently not required to be reported to the CAT under the CAT NMS Plan and SRO CAT Compliance Rules.

Proposed Rule 17a-26(l) would state that notwithstanding any other provision of Rule 17a-26, certain categories of data shall not be required to be reported to the Commission or the Designee, and no CAT Reporter shall be required to report data to the Central Repository regarding certain categories of information. The following categories of information are either currently not reported pursuant to the CAT due to exemptive relief granted by the Commission or because the CAT NMS Plan was amended to except such information. Where such exemptive relief or CAT NMS Plan is time-limited, the Commission is proposing to permanently codify such reporting exceptions below. As noted above, commenters to the Concept Release broadly supported permanent codification of temporary exemptive relief.[364]

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364 See, e.g., FIF Letter, supra note 86, at 11 (stating that FIF members recommend incorporating previously-granted CAT exemptions into Rule 613 or the CAT NMS Plan, or alternatively, FIF members recommend that the Commission make permanent any current exemption relating to CAT that is limited by a time period); Robinhood Letter, supra note 67, at 12 (stating that rather than extend measures on a temporary, ad-hoc basis, the Commission should permanently codify temporary regulatory exemptions); PTG Letter, supra note 83, at 3 (stating that "temporary exemptive relief . . . should be made permanent and potentially broadened"); NYSE Letter I, supra note 32, at 7 (stating that "the NYSE Exchanges are generally supportive of permanently extending and codifying all current exemptive relief").

1. Floor and Certain Manual Activity

Proposed Rule 17a-26(l)(1)(i) would provide that, notwithstanding any other provision of proposed Rule 17a-26, no CAT Reporter shall be required to report data to the Central Repository regarding the following verbal and manual activity: (A) floor broker verbal announcements of firm orders on an exchange that are otherwise reported as systematized orders; (B) market maker verbal announcements of firm quotes on an exchange trading floor; (C) telephone discussions between an Industry Member and a client that may involve firm bid and offer communications; and (D) unstructured electronic and verbal communications that are not currently captured by Industry Member order management or execution systems (e.g., electronic chats, text messages). Proposed Rule 17a-26(l)(1)(i) is based on Section 6.3(g) of the CAT NMS Plan, but, for floor broker verbal announcements and floor market maker verbal announcements, removes language imposing a July 31, 2030 deadline to the exception for reporting these orders.

While many unstructured verbal and manual communications on exchange floors and "upstairs" are reportable events under Rule 613 and the CAT NMS Plan,[365] the verbal and manual activity subject to the proposed exception in Rule 17a-26(l)(1)(i) has never been required to be reported to the CAT because it has always been subject to exemptive relief or Section 6.3(g) of the CAT NMS Plan, which was approved to be added to the CAT NMS Plan by the Commission in the Verbal Quotes Amendment Order. Proposed Rule 17a-26(l)(1)(i) is designed

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365 See Securities Exchange Act Release No. 103275 (June 16, 2025), 90 FR 26337 (June 20, 2025) ("Verbal Quotes Amendment Order"), at 26338; 26338 n.13 (stating that firm verbal quotes and orders, whether they occur on an exchange floor or "upstairs," are reportable to CAT if they are a firm bid or offer). Cf. Participant Letter, supra note 32, at 9 (stating that "CAT LLC reiterates its longstanding view that verbal activity on exchange floors was never contemplated by Rule 613 or the original CAT NMS Plan and should be permanently excluded from CAT reporting. Because no verbal activity has been reported to the CAT to date, eliminating this requirement would not result in the loss of any currently available information"); Cboe Letter, supra note 32, at 6-7 (stating that "Cboe does not believe that verbal quotes were intended to be included within CAT or that any regulatory purpose is served by requiring the reporting of information about verbal activity on exchange trading floors to CAT").

to keep this status quo, and assure CAT Reporters that this verbal and manual order and quote activity would continue to not be required to be reported to the Commission or the Designee.

As discussed in the Verbal Quotes Amendment Order, CAT LLC and a commenter have previously stated that costs of capturing and reporting the activity subject to proposed Rule 17a-26(l)(1)(i) would be substantial, in the billions of dollars.[366] Since the Verbal Quotes Amendment Order was issued, the Commission is not aware of any new specific Super Intelligence, natural language processing, or voice recognition technology with a feasible architecture to accurately capture and report the data subject to proposed Rule 17a-26(l)(1)(i). In the absence of an automated technological solution, which may still be costly or difficult to implement if it existed, reporting the data subject to proposed Rule 17a-26(l)(1)(i) would require substantial human intervention and result in significant costs incurred by the national securities exchanges and Industry Members.

While Section 6.3(g) of the CAT NMS Plan states that floor broker verbal announcements of firm orders on an exchange that are otherwise reported as systematized orders and market maker verbal announcements of firm quotes on an exchange floor are only not reportable to the Central Repository until July 31, 2030, proposed Rule 17a-26(l)(1)(i) would not include a similar deadline, which was established to provide the Participants and Industry Members sufficient time to design and update systems and processes to allow for the reporting of this floor activity. While the proposed rule would remove this requirement, the Commission

366 See Verbal Quotes Amendment Order, supra note 365, at 26339. See also NYSE Letter I, supra note 32, at 8 (noting that CAT LLC has previously estimated the cost of Participant reporting for floor-based verbal activity at $64.35 million to $112.86 million per year with an additional one-time cost of $20 million to $30 million, which "substantially outweigh" any regulatory benefit); Cboe Letter, supra note 32, at 6-7 (stating that "the costs associated with developing reporting technology and monitoring to ensure that any verbal activity reports are accurate would be substantial (if not impossible), and there is no reason to incur those costs and divert finite resources from projects with a clear regulatory benefit").

continues to believe that the reporting of verbal activity on exchange floors has regulatory value as articulated in the Verbal Quotes Amendment Order,[367] that trades on floors can be large and an important trading method for market participants and as such should be included in CAT for effective regulatory oversight purposes,[368] and that more cost effective measures could be taken to capture and report floor broker orders verbalized in open outcry and firm market maker quotes verbalized in response.[369]

However, removal of the time limitation will help provide certainty to market participants, specifically the national securities exchanges and Industry Members that engage in floor-based trading activity, that reporting obligations with respect to floor based verbal order and quote activity, as currently understood, will not change on July 31, 2030, and avoid the substantial costs and time associated with updated systems and processes to accommodate such reporting.[370] The Commission no longer believes that the regulatory benefits of requiring such reporting justify the costs, especially in advance of a potential transition of reporting pursuant to Rule 613 and the CAT NMS Plan to reporting to the Commission or the Designee pursuant to proposed Rule 17a-26. Codifying the deadline would have required national securities exchanges and Industry Members to begin preparing for the reporting change, and would require the Commission or the Designee to implement changes to the technical specifications and system architecture of the CAT necessary to allow for the reporting of the information, which is not consistent with the goal of maintaining existing CAT reporting requirements during the

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367 See Verbal Quotes Amendment Order, supra note 365, at 26341-43.

368 See id. at 26342.

369 See id. at 26342-43.

370 See supra note 366.

transition. In addition, commenters on the Concept Release were supportive of permanently excepting floor-based verbal activity from CAT reporting requirements.[371]

Importantly, even if proposed Rule 17a-26(l)(1)(i) is adopted, regulators will still maintain the same insight into verbal and manual activity they currently maintain. Pursuant to proposed Rule 17a-26, Industry Members will still be obligated to report the same information related to verbal or manual orders and executions as they do today. For example, on exchange trading floors orders are electronically systematized for execution, and executions resulting from the verbal representation of floor broker orders and floor market maker responses will continue to be required to be reported to the CAT.[372] In addition, for verbal or manual trades made upstairs, executions will still be subject to reporting requirements in proposed Rule 17a-26 that mirror those of the CAT NMS Plan and SRO CAT Compliance Rules today, such as the requirement to report to CAT when the broker either creates an order when dealing with a customer, or accepts an order from another broker-dealer, and when the trade execution occurs.[373]

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371 See, e.g., Participant Letter, supra note 32, at 9 (stating that the "distinction between verbal activity in the upstairs market versus on exchange floors lacks a meaningful basis and should not be continued," and "[b]ased on discussions with Industry Members, CAT LLC believes that there is industry support for a permanent exemption and encourages the Commission to act quickly to implement permanent relief covering verbal activity on exchange floors"); NYSE Letter I, supra note 32, at 8 (requesting the floor-based verbal activity be permanently excluded from the CAT); Cboe Letter, supra note 32, at 6-7 (stating that "the Commission should permanently exclude verbal activity on exchange trading floors from the CAT reporting requirements"); PTG Letter, supra note 83, at 3 ("relief around reporting verbal quotes . . . should be made permanent"); FIF Letter, supra note 86, at 21 (stating that "FIF members request that the Commission incorporate the current exemption for verbal exchange floor quotes and orders into Rule 613 or the CAT NMS Plan (or otherwise make the current exemption permanent)"); FINRA Letter, supra note 11, at 12 (stating that, among other things, "industry groups have asked for the extension of current exemptive relief involving verbal activity on exchange floors," and that "FINRA generally supports consideration in these areas balanced with the goal of avoiding undue regulatory impact").

372 See Verbal Quotes Amendment Order, supra note 365, at 26339; see also id. at 26344 n.86 (stating that CAT LLC states that any cancellation or change to an order transmitted to an exchange floor broker must occur within the systematized order record).

373 See id. at 26344. See also FIF Letter, supra note 86, at 21 (stating that under the "exemption for verbal exchange floor quotes and orders . . . trade executions and associated orders are still reported to CAT").

2. Certain Responses to Requests for Quotes

Proposed Rule 17a-26(l)(1)(ii) would provide that, notwithstanding any other provision of proposed Rule 17a-26, no CAT Reporter shall be required to report data to the Central Repository regarding bids and/or offers made in response to a request for a quote or other form of solicitation response provided in a standard electronic format that requires further action by the responder providing the quote in order to execute or cause a trade to be executed ("NIA Electronic RFQ Responses"). The proposed rule would also state that, however, Industry Members are still required to report other required information regarding the request for quote or solicitation process as required by paragraph (i) of this section. This proposed rule is designed to be consistent with exemptive relief granted by the Commission on January 23, 2026.[374]

As discussed in the NIA Electronic RFQ Responses Order, exclusion of this information from CAT reporting requirements is appropriate because the regulatory value of this information does not justify the difficulty and costs associated with collecting and reporting such information.[375] Proposed Rule 17a-26(l)(1)(ii) would codify the previously granted exemptive relief in the new CAT reporting rule, avoiding any technological and process changes required to capture and report NIA Electronic RFQ Responses, which in turn avoids business disruptions, impacts to existing workflows, and costs associated with collecting and reporting such information. As noted above, commenters on the Concept Release were generally supportive of

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Verbal activity on exchange floors will also remain subject to oversight of SRO regulatory staff. See NYSE Letter I, supra note 32, at 5 (stating that "SROs already have means to access such information when needed").

374 See Securities Exchange Act Release No. 104662 (Jan. 23, 2026), 91 FR 3572 (Jan. 27, 2026) ("NIA Electronic RFQ Responses Order"). Prior to the NIA Electronic RFQ Responses Order, conditional and temporary exemptive relief was granted for NIA Electronic RFQ Responses. See Securities Exchange Act Release No. 34-100181, 89 FR 45715 (May 23, 2024).

375 Id. at 3573.

making exemptive relief permanent,[376] including specifically the exemptive relief provided for not immediately actionable electronic requests for quotes.[377] Consistent with the aim of maintaining current CAT reporting requirements, the Commission is not currently proposing further exceptions related to RFQ Responses, including reporting of the receipt of non-winning responses to an RFQ, as requested by a commenter to the Concept Release.[378]

Regulators will still have insight into request for quote and solicitation workflows where NIA Electronic RFQ Responses are used because any follow-up order activity subsequent to the transmission of NIA Electronic RFQ Responses that results in an execution will be required to be reported to the CAT, pursuant to proposed Rule 17a-26(i). In addition, proposed Rule 17a-26(l)(1)(ii) does not apply to responses to requests for quote or solicitations that do not meet the definition of NIA Electronic RFQ Responses (e.g., a response to a request for a quote or other form of solicitation response provided in standard electronic format that requires no further action by the responder providing the quote in order to execute or cause a trade to be executed). Thus, for request for quote and solicitation workflows where responses to requests for quotes or solicitations meet the definition of an order,[379] and do not otherwise fall within the exception to reporting in proposed Rule 17a-26(l)(1)(ii), Rule 17a-26(i) will require the reporting of such responses.

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376 See supra note 364.

377 See NYSE Letter I, supra note 32, at 7 (stating that "the NYSE Exchanges are generally supportive of permanently extending and codifying all current exemptive relief, including . . . exemptive relief provided for not immediately actionable electronic requests for quotes").

378 See FIF Letter, supra note 86, at 29-30 (recommending, among other things, that reporting of the receipt of non-winning responses to an RFQ should be optional).

379 In addition, the NIA Electronic RFQ Responses that are subject to proposed Rule 17a-26(l)(1)(ii) are those that satisfy the definition of an "order" as defined by proposed Rule 17a-26(a). NIA Electronic RFQ Responses that do not meet the definition of an "order" are otherwise not required to be reported under proposed Rule 17a-26 and so an exception to reporting such responses is unnecessary. See also NIA Electronic RFQ Responses Order, supra note 374, at 3574.

3. Representative Order Linkage

Proposed Rule 17a-26(l)(1)(iii) would state that, notwithstanding any other provision of Rule 17a-26, no CAT Reporter shall be required to report data to the Central Repository regarding information necessary to link representative orders to Customer orders when an Industry Member does not have a systematic or direct link between their order management systems and execution management systems, however, Industry Members are still required to report other required information regarding the Customer and representative orders as required by this section. Proposed Rule 17a-26(l)(1)(iii) is designed to codify temporary conditional exemptive relief granted by the Commission that remains in effect currently.[380] Commenters on the Concept Release supported codifying this exemptive relief.[381]

As discussed above, in Part IV.I, proposed Rule 17a-26(i)(1)(iv) will explicitly require that Industry Members report, among other things, any information or data needed by the Central Repository to link and/or create an order event lifecycle using a daisy chain approach or link Customer orders to representative orders created in firm accounts for the purpose of facilitating a customer order. This is intended to replicate the current requirement under the CAT NMS Plan to report information sufficient to link Customer orders to representative orders created in firm accounts for the purpose of facilitating a customer order. As noted above, Appendix D, Section

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380 See Securities Exchange Act Release No. 104663 (Jan. 23, 2026), 91 FR 3601 (Jan. 27, 2026) ("2026 Representative Orders Exemptive Relief Order").

381 See, e.g., Participant Letter, supra note 32, at 10 (stating a desire to "permanently resolve" longstanding issues related to representative order linkage); NYSE Letter I, supra note 32, at 7 ("the NYSE Exchanges are generally supportive of permanently extending and codifying all current exemptive relief"); FIF Letter, supra note 86, at 12 (stating that "FIF members request that the Commission incorporate the current exemptive relief relating to representative order linkage into Rule 613 or the CAT NMS Plan (or otherwise make the current exemption permanent)"); Robinhood Letter, supra note 67, at 3 (stating that "[w]ell-established, practical accommodations, such as representative order linkage relief . . . should be permanently codified"). See also FINRA Letter, supra note 11, at 12 (stating that "industry groups have asked for the extension of current exemptive relief involving . . . representative order linkage," and that "FINRA generally supports consideration in these areas balanced with the goal of avoiding undue regulatory impact").

3 of the CAT NMS Plan states that the CAT "must be able to create the lifecycle between . . . [c]ustomer orders to 'representative' orders created in firm accounts for the purpose of facilitating a customer order (e.g., linking a customer order handled on a riskless principal basis to the street-side proprietary order)."

Proposed Rule 17a-26(l)(1)(iii) would continue to provide an exception to otherwise applicable reporting requirements, in particular proposed Rule 17a-26(i)(1)(iv), where an Industry Member does not have a systematic or direct link between their order management systems and execution management system. This proposed exception is designed to be consistent with current CAT reporting requirements,[382] but would make permanent the temporary conditional exemptive relief now in effect. Because of numerous exemptive relief orders issued by the Commission,[383] the information subject to the proposed exception to reporting requirements has never been required to be reported to the CAT. At this time, consistent with the goal of proposing a rule consistent with current CAT reporting requirements, the Commission is not proposing to modify the existing exception for representative order reporting, but welcomes further comment on whether or not changes to proposed Rule 17a-26(l)(1)(iii) could be made to address ongoing issues with representative order linkage reporting.[384]

Without proposed Rule 17a-26(l)(1)(iii) or the granting of similar exemptive relief, Industry Members would be required for the first time to report linkage between a customer order to a specific representative order for representative order scenarios in which Industry

382 See 2026 Representative Orders Exemptive Relief Order, supra note 380.

383 See id., at 3601, for a description of prior exemptive relief granted in 2020, 2022, 2023, and 2025.

384 See also FIF Letter, supra note 86, at 12-14 (providing a "highlight [of] some of the key points discussed" in a draft request for exemption submitted to the Commission, and additional comments relating to representative order linkage); Participant Letter, supra note 32, at 10 (noting that some Industry Members have structured their order- and execution-management systems in a way that makes it impossible for these firms to report linkage data until after a representative order is executed).

Members do not have a systematic or direct link between their order management systems and execution management systems. Requiring this reporting from Industry Members could result in substantial costs for Industry Members to modify and update their systems to allow for reporting of this information, and would also require the Commission or the Designee to provide updated Technical Specifications resolving the difficulty and complexity of representative order scenarios. The Commission preliminarily believes that the costs of reporting this information would not justify the regulatory benefit of requiring the information.

4. Port-Level Settings

Proposed Rule 17a-26(l)(1)(iv) would provide that, notwithstanding any other provision of proposed Rule 17a-26, no CAT Reporter shall be required to report data to the Central Repository, for Industry Members that route an order, applicable port-level settings that are used to communicate Material Terms of an Order and are not communicated by the Industry Member routing such order through a port that is configured to apply port-level settings, regardless of whether the port is an exchange port or a port maintained by an alternative trading system or a broker-dealer, however, the recipient of an order that utilizes a port-level setting must report any port-level setting that is a Material Term of the Order as part of the same order receipt record pursuant to paragraphs (h) and (i) of this section. Proposed Rule 17a-26(l)(1)(iv) is designed to codify exemptive relief granted on January 23, 2026 by the Commission.[385]

In the absence of proposed Rule 17a-26(l)(1)(iv), both the routing and receiving CAT Reporter would be required to report port-level settings that are Material Terms of the Order. Proposed Rule 17a-26(i) would require Industry Members to report the Material Terms of the

[385] See Securities Exchange Act Release No. 104664 (Jan. 23, 2026), 91 FR 3557 (Jan. 27, 2026) ("Port Level Settings Exemptive Order").

Order for certain events in an order's lifecycle, including "for original receipt or origination of an order," "for the routing of an order," "for the receipt of an order that has been routed," and for orders that are "modified or cancelled." Proposed Rule 17a-26(a) further defines the "Material Terms of the Order" to include "any special handling instructions." Thus, because port-level settings are used by Industry Members and Participants as one method of communicating various Material Terms of the Order, including, in some cases, special handling instructions, when port-level settings are used to communicate Material Terms of the Order, proposed Rule 17a-26 would otherwise require these port-level settings to be reported for that order by both senders and receivers.[386] Proposed Rule 17a-26(l)(1)(iv) would remove that obligation for the sending firm (but not the receiving Industry Member or SRO), consistent with the Port Level Settings Exemptive Order. Commenters on the Concept Release were broadly supportive of removing the obligation for two-sided reporting of port-level settings and maintaining the exemptive relief provided by the Port Level Settings Exemptive Order in general.[387]

As stated in the Port Level Settings Exemptive Order, although the two-sided reporting of port-level settings (those that are also material terms of the order) has regulatory benefits,

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386 In their comment letter on the Concept Release, the Participants note that the "Participants and the Commission have long disagreed on reporting requirements for port-level settings," and that the Participants "would welcome continued discussions with the Commission regarding how to rationalize and streamline reporting in this area." See Participant Letter, supra note 32, at 10-11. The Commission welcomes further comment regarding the proposed exception for port-level settings, and whether or not it adequately streamlines reporting of port-level settings.

387 See, e.g., FIF Letter, supra note 86, at 2 and 14 (expressing appreciation for the Port Level Settings Exemptive Order); NYSE Letter I, supra note 32, at 7 (stating that "the NYSE Exchanges are generally supportive of permanently extending and codifying all current exemptive relief, including . . . exemptive relief for port-level settings"); Cboe Letter, supra note 32, at 7 (stating that "Cboe supports the elimination of any requirement to provide two-sided reporting of port level settings"); Robinhood Letter, supra note 67, at 12 (stating that the Commission should permanently eliminate the sender-side port-level settings reporting requirement). See also FINRA Letter, supra note 11, at 12 (stating that "industry groups have asked for the extension of current exemptive relief involving . . . port-level settings" and that "FINRA generally supports consideration in these areas balanced with the goal of avoiding undue regulatory impact").

including allowing regulators to more easily identify potential inaccuracies in reported CAT Data, the regulatory benefits are not sufficient to justify the implementation costs and technical difficulty of requiring accurate reporting of port-level settings by both the sender and receiver of an Order.[388] Unlike other material terms of orders, port-level settings are not managed by a sending firm on an order-by-order basis, but are instead applied by the receiving firm to all orders sent to a given port.[389] Thus, port-level settings are not generally part of standard order messages (e.g., FIX messages) sent by firms, and these sending firms do not have the relevant data in their books and records.[390] To the extent that a sending firm wants to change port-level settings applied to its orders by the receiving firm, it may require manual processes such as usage of an online portal, email, or even a verbal request to the receiving firm.[391] As described by a letter in support for exemptive relief for the reporting of port-level settings, ensuring that both the sender and receiver of Orders with port-level settings have the same understanding with respect to port-level settings to ensure accurate reporting would likely require "an enormous industry-wide data sharing and pre-linkage process," incurring substantial costs.[392]

The Commission continues to believe that imposing these costs on Industry Members

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388 See Port Level Settings Exemptive Order, supra note 385, at 3559. See also Control Now Letter, supra note 161, at 3 (stating that "eliminating or significantly curtailing two-sided reporting in the name of cost reduction would sacrifice a proven error-detection mechanism and could undermine the data integrity that the CAT's regulatory value depends upon"); Robinhood Letter, supra note 67, at 3 (stating that the "sender-side port-level settings reporting requirement . . . adds zero regulatory value").

389 See Port Level Settings Exemptive Order, supra note 385, at 3559.

390 See id. See also Cboe Letter, supra note 32, at 7 (stating that a "two-sided reporting requirement requires that broker-dealers create an order-by-order record of port level settings that does not currently exist—effectively requiring broker-dealers to reverse engineer those settings in a manner that undermines their purpose—and imposing that significant compliance burden on broker-dealers is not justified"); Control Now Letter supra note 161, at 3 (stating that "certain material terms may only be reported by the recipient").

391 See Port Level Settings Exemptive Order, supra note 385, at 3559.

392 See id. See also letter to Vanessa Countryman, Secretary, Commission, from Howard Meyerson, Managing Director, FIF, dated Oct. 20, 2025, at 9 (stating that the "cost to build and maintain this, and the security issues created by it, would be extreme").

would be not justified when regulators will still have information related to port-level settings on CAT records submitted by receiving firms. Consistent with the Port Level Settings Exemptive Order, proposed Rule 17a-26(l)(1)(iv) would continue to except Industry Members from any obligation to report the applicable port-level settings that are used to communicate Material Terms when an Industry Member routes an order through a port that is configured to apply port-level settings, regardless of whether the port is an exchange port or a port maintained by an alternative trading system or a broker-dealer. However, as with the Port Level Settings Exemptive Order, this proposed exception would not alter the obligation of the recipient of the order that utilizes a port-level setting to communicate a Material Term of the Order to report the port-level setting as part of the same order receipt record, pursuant to other provisions of proposed Rule 17a-26, in particular the reporting requirements in proposed paragraphs (h) and (i).[393]

5. Rejected Messages

Proposed Rule 17a-26(l)(2) would state that, notwithstanding any provision of this section, no national securities exchange or national securities association shall be required to record and electronically report to the Central Repository any order rejected by the national securities exchange or national securities association nor any Reportable Events related to such rejected order. Proposed Rule 17a-26(l)(2) would also state that for the avoidance of doubt, an order that is received by the national securities exchange or national securities association but not accepted by the national securities exchange or national securities association is an order rejected by the national securities exchange or national securities association for purposes of this

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393 See also Cboe Letter, supra note 32, at 7 (stating that if "information about port level settings is necessary in connection with a particular regulatory inquiry, that information can be obtained from the port setting records maintained at the receiving level").

paragraph. This provision is based on Section 6.3(h) of the CAT NMS Plan, and is designed to apply in an identical fashion to the reporting requirements of proposed Rule 17a-26.[394]

In the absence of proposed Rule 17a-26(l)(2), rejected messages received by national securities exchanges and national securities associations would be required to be reported pursuant to proposed Rule 17a-26. Specifically, proposed Rule 17a-26(h) would require national securities exchanges and national securities associations to record and electronically report to the Central Repository certain information for each order and each Reportable Event, including for the original receipt or origination of an order pursuant to proposed Rule 17a-26(h)(1)(i). As proposed, Rule 17a-26(a)(32) would define "order" to include: "(i) any order received by an Industry Member from any person; (ii) any order originated by an Industry Member; or (iii) any bid or offer." Thus, these provisions require the reporting of all orders that are "received," not just those orders that are received and "accepted" or processed by the national securities exchange or national securities association. For example, a message that contains all of the terms necessary for an order to be executed would constitute a "received" order that proposed Rule 17a-26(h)(1) would otherwise require to be reported regardless of whether such order was subsequently rejected.[395]

However, it is appropriate to maintain this exception from CAT reporting for certain rejected messages for much the same reasons as articulated in the 2025 Cost Savings

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394 Section 6.3(h) of the CAT NMS Plan states that, notwithstanding any provision of the CAT NMS Plan (including Appendix D), no Participant shall be required to record and electronically report to the Central Repository any order rejected by the Participant nor any Reportable Events related to such rejected order. It continues to state that for the avoidance of doubt, an order that is received by the Participant but not accepted by the Participant is an order rejected by the Participant for purposes of this paragraph.

395 This is similar to how rejected orders would be required to be reported pursuant to the CAT NMS Plan and Rule 613, absent exemptive relief or Section 6.3(h) of the CAT NMS Plan. See 2025 Cost Savings Amendment Approval Order, supra note 335, at 16300.

Amendment Approval Order.[396] The costs avoided with the exclusion of these rejected messages from CAT reporting obligations are a reasonable trade-off for the limited regulatory loss from their exclusion. The costs avoided with the proposed exclusion include the cost of ingesting and processing such data and costs the national securities exchanges and national securities associations would collectively incur if they were to now be required to begin collecting, processing, and reporting these rejection events to the CAT. Proposed Rule 17a-26(l)(2) would apply only to the SROs' obligation to report specific data to the CAT, and would not apply to any information or records that the SROs are required to keep and preserve outside of the CAT, or affect the reporting requirements applicable to Industry Members.

Request for Comment

The Commission requests comment on the exceptions to reporting requirements found in proposed Rule 17a-26(l). Specifically, the Commission solicits comment on the following:

51. Is it appropriate to codify the exclusion of floor and certain manual activity from the reporting requirements of Rule 17a-26 as proposed in Rule 17a-26(l)(1)(i)? Is the provision consistent with existing reporting requirements under the CAT NMS Plan and exemptive relief granted by the Commission? Is it appropriate to make such exclusion permanent for verbalized floor market maker quotes and floor broker orders, even though the CAT NMS Plan would require such information be reported at a later date? Should any changes be made to the proposed exception?

52. Is it appropriate to codify the exception for certain responses to requests for quotes as described in proposed Rule 17a-26(l)(1)(ii)? Is proposed Rule 17a-26(l)(1)(ii) consistent with existing reporting requirements under the CAT NMS Plan and exemptive relief granted by the

396 See 2025 Cost Savings Amendment Approval Order, supra note 335, at 16299-16300.

Commission? Should any changes be made to the proposed rule?

53. Is it appropriate to codify the active exemptive relief regarding representative order linkage as proposed in Rule 17a-26(l)(1)(iii)? Is the provision consistent with existing reporting requirements under the CAT NMS Plan and exemptive relief granted by the Commission? Should any changes be made to the proposed rule?

54. Is it appropriate to codify the exception for reporting of "port-level settings" as described in proposed Rule 17a-26(l)(1)(iv)? Is the provision consistent with existing reporting requirements under the CAT NMS Plan and exemptive relief granted by the Commission? Should any changes be made to the proposed rule?

55. Is it appropriate to codify the exclusion from reporting of certain rejected messages by national securities exchanges and national securities associations as proposed in Rule 17a-26(l)(2)? Is the provision consistent with current reporting requirements under the CAT NMS Plan? Should the exception for reporting of certain rejected messages be expanded to Industry Members? Why or why not?

56. Does proposed Rule 17a-26(l), in conjunction with proposed Rule 17a-26(h) and (i), adequately incorporate all aspects of exemptive relief currently applicable to CAT reporting? If not, what elements of existing exemptive relief are not in the proposed rule and should be incorporated into the proposed rule?

57. Should proposed Rule 17a-26(l) include any new exceptions to the reporting requirements of Rule 17a-26? If so, what should those exceptions be?

M. Recordkeeping

Proposed Rule 17a-26(m) would state that, notwithstanding the requirements of Rule 17a-1 and Rule 17a-4, each national securities exchange, national securities association, and Industry Member must maintain and preserve records of the information submitted under

proposed Rule 17a-26 to the Commission or the Designee for a period of at least three (3) years, with the first two (2) years of records in an easily accessible place. For the avoidance of doubt, the recordkeeping requirements of Proposed Rule 17a-26(m) are intended to apply to the records of information submitted to the Central Repository, i.e. CAT submission files, and not the underlying trade or customer data or other information required to be maintained by national securities exchanges, national securities associations, and broker-dealers pursuant to other Rules, such as Rule 17a-1 for national securities exchanges and national securities associations, or Rule 17a-4 for broker-dealers. In other words, proposed Rule 17a-26(m) would not modify any other pre-existing recordkeeping obligations and instead creates new recordkeeping obligations as part of the adoption of Rule 17a-26.

Proposed Rule 17a-26(m) would modify existing recordkeeping requirements for national securities exchanges and national securities associations with respect to submissions to the CAT. Rule 613 and the CAT NMS Plan do not specify recordkeeping requirements for the information submitted to CAT for national securities exchanges and national securities associations, and so in the absence of a superseding provision like proposed Rule 17a-26(m), the recordkeeping requirements of Rule 17a-1 apply, requiring every national securities exchange and national securities association to keep and preserve such information for a period of not less than five years, the first two years in an easily accessible place. Proposed Rule 17a-26(m) would specify that for the information submitted under proposed Rule 17a-26 to the Commission or the Designee, national securities exchanges and national securities associations would need to preserve such information for a period of at least three (3) years, with the first two (2) years of records in an easily accessible place, instead of the period of not less than five years in Rule 17a-1.

Proposed Rule 17a-26(m) would be generally consistent with the existing recordkeeping requirements of broker-dealers imposed by SRO CAT Compliance Rules. The SRO CAT Compliance Rules require that each Industry Member maintain and preserve records of the information required to be recorded under SRO CAT Compliance Rules for the period of time and accessibility specified in Rule 17a-4(b).[397] Rule 17a-4(b) imposes a recordkeeping requirement applying to a "period of not less than three years, the first two years in an easily accessible place,"[398] which is consistent with the proposed duration in proposed Rule 17a-26(m).

The proposal would make the recordkeeping requirements for CAT data submissions the same across all types of CAT Reporters, and to make the recordkeeping requirement a period of three (3) years with the first two (2) years of records in an easily accessible place. As noted above, proposed Rule 17a-26(m) is not designed to eliminate or modify non-CAT submission related recordkeeping requirements, and to the extent that regulators need access to the underlying Customer, order and trade data that are part of CAT submissions, CAT Reporters are subject to other existing recordkeeping obligations, and regulators have other means of requesting and reviewing such information.[399] In addition, the regulatory value of requiring CAT Reporters to maintain duplicates of CAT data submission information would be limited to the extent that such information was no longer maintained by the Central Repository.[400]

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397 See, e.g., FINRA Rule 6890. This specific rule of the SRO CAT Compliance Rules is based on FINRA Rule 7440(a)(5), which set forth recordkeeping requirements related to OATS. See Securities Exchange Act Release No. 80255 (Mar. 15, 2017), 82 FR 14563, at 14574 (Mar. 21, 2017) (order approving the FINRA Rule 6800 Series (Consolidated Audit Trail Compliance Rule)).

398 See 17 CFR 240.17a-4(b).

399 See, e.g., 17 CFR 240.17a-1 and 17 CFR 240.17a-4. In addition, proposed Rule 17a-26(m) would not override other potential reasons that a CAT Reporter may be required to maintain and preserve CAT records for a period greater than three-years, such as a litigation hold or court order.

400 Currently, the CAT as operated by the Participants pursuant to the CAT NMS Plan is only required to retain CAT Data for trade data up to three (3) years old. See, e.g., CAT NMS Plan, supra note 3, Section 6.5(b)(i) (stating that consistent with Appendix D of the CAT NMS Plan, the Central Repository shall

Request for Comment

The Commission requests comment on the proposed provisions regarding recordkeeping requirements. Specifically, the Commission solicits comment on the following:

58. Is proposed Rule 17a-26(m) regarding recordkeeping sufficiently clear and understandable? If not, what changes should be made to the proposed rule?

59. Is proposed Rule 17a-26(m) necessary or appropriate? Or should the existing provisions regarding recordkeeping by national securities exchanges, national securities associations, and broker-dealers be amended to require records of the information reported to the CAT?

60. For records of the information reported to the CAT, is it appropriate to make the recordkeeping requirements for national securities exchanges and national securities associations consistent with the existing recordkeeping requirements for broker-dealers? Should all CAT submissions be subject to a shorter or longer retention period, such as two years or five years? Should any changes be made to the proposed rule?

V. Economic Analysis

A. Introduction

Section 3(f) of the Exchange Act requires the Commission, whenever it engages in rulemaking and is required to consider or determine whether an action is necessary or appropriate in the public interest, to consider, in addition to the protection of investors, whether the action would promote efficiency, competition, and capital formation.[401] In addition, Section

retain CAT Data for a period of not less than three (3) years, and in a convenient and usable standard electronic data format that is directly available and searchable electronically without any manual intervention by the Plan Processor, subject to the exceptions in Section 3.4, Section 6.3 and Section 6.4 of Appendix D). Proposed Rule 17a-26(m) would make CAT Reporter recordkeeping requirements consistent with this retention period.

401 15 U.S.C. 78c(f).

23(a)(2) of the Exchange Act requires the Commission, when making rules under the Exchange Act, to consider the impact such rules would have on competition.[402] Exchange Act Section 23(a)(2) prohibits the Commission from adopting any rule that would impose a burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. The discussion below addresses the likely economic effects of the proposed rule, including the likely effect of the proposed rule on efficiency, competition, and capital formation.

Effective oversight of the national market system requires regulators to be able to reconstruct the lifecycle of an order across the disparate trading centers and broker-dealers that may interact with the order as it is filled. The information needed to do so is generated by and dispersed across numerous market participants, such as national securities exchanges, alternative trading systems, and broker-dealers trading directly with customers. This dispersion gives rise to two problems that limit both the incentive and the practical ability of any group of market participants to assemble such a record without regulatory intervention.

First, even if a group of market participants coordinated to assemble their own order and trade data into a consolidated record, they would capture only a portion of the benefits of doing so. This is because many of those benefits, such as improved detection and deterrence of cross-market manipulation, insider trading, and other misconduct, extend broadly to other market participants and investors who would not contribute to the cost of producing that record. Because these surveillance benefits extend broadly to market participants and investors who did not contribute to building the record, and the venues and broker-dealers producing it cannot withhold those benefits from non-contributors, no single participant or group of participants will generally have an incentive to invest in building a consolidated audit trail sized to its full market-wide

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402 15 U.S.C. 78w(a)(2).

value, and a purely private market is therefore likely to underproduce such a record relative to the socially optimal level.

Second, even if market participants recognized the collective value of a consolidated record, they would also face substantial coordination costs in establishing common reporting standards and assembling data across competing venues with different systems, formats, and commercial incentives, making it unlikely that such an outcome would emerge voluntarily. As a result, without being required by regulation, consolidated cross-market order data is likely to be independently produced by market participants at a level below the amount warranted by its broader regulatory and market-wide benefits.

Regulators attempted to address this problem before the adoption of the CAT by requiring market participants to report order and trade information through various mandatory audit trails and data sources. These earlier regulatory efforts, however, were fragmented, incomplete, and difficult to use in combination with one another, leaving regulators without the comprehensive, cross-market view needed for effective oversight of modern markets. Before the CAT, regulators relied on a patchwork of sources to reconstruct activity across markets, including OATS, COATS, the Electronic Blue Sheet system, trade reporting facilities, and requests to individual market participants, among others. Although each source provided useful information, none provided a complete cross-market record, and combining information across these sources could be cumbersome, time-consuming, prone to error, and may have, at times, prevented regulators from identifying violative activity by a customer trading through multiple broker-dealers.[403]

[403] See supra note 13.

The Commission adopted Rule 613 in 2012 to improve the accuracy, completeness, accessibility, and timeliness of cross-market audit trail data by requiring the creation of the CAT.[404] Rule 613 set up the CAT through a structure in which the responsibility for operating the CAT, the responsibility for funding it, and the use of its data are divided among different entities.

For example, under the current structure, the Participants have ended up in disputes over the funding model for the CAT, both among themselves and with market participants, resulting in uncertainty, litigation, and distraction.

The Proposal would rescind Rule 613 and replace it with proposed Rule 17a-26, use appropriated funds to support the CAT,[405] and maintain substantially the same reporting requirements that exist today. These changes would resolve certain recurring disputes surrounding CAT cost allocation described above, by removing a point of contention among market participants, namely, how to fund the CAT under the CAT NMS Plan.

The proposed joint rescission of Rule 613 and implementation of Rule 17a-26 are designed to leave reporting obligations substantially unchanged. The Commission's goal with this Proposal is to address concerns regarding CAT governance and funding while preserving the regulatory benefits of the CAT described above.

Several components of the restructuring described in Part II.C would occur outside this rulemaking, including rescission of the CAT NMS Plan and related SRO compliance rules, the transfer of CAT assets, the use of Congressionally appropriated funds, and any agreement with a

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404 See supra note 13.

405 That is, the Commission anticipates using Congressionally appropriated funds to pay the Commission's costs relating to use, operation, and maintenance of the CAT system, with those appropriations recovered from each national securities exchange and national securities association through transaction fees and assessments collected under Section 31 of the Exchange Act.

designee. To the extent the economic effects of the proposed rule depend on those actions, the analysis below identifies the assumptions on which the analysis relies. The Commission also identifies areas in which available information does not permit an effect to be quantified and requests comment and data that could inform those estimates.

B. Baseline

The baseline against which the costs, benefits, and the effects on efficiency, competition, and capital formation of the proposed rule are measured consists of the current reporting regime under the CAT NMS Plan, all amendments and exemptive reliefs to the CAT NMS Plan, and current practices as they relate to reporting to the CAT and market surveillance using the CAT. The economic analysis appropriately considers existing regulatory requirements, including recently approved amendments and exemptive reliefs, as part of its economic baseline against which the costs and benefits of the proposed rule are measured.

1. Current Capabilities and Content of the CAT

The Proposal relates to several aspects of the CAT's capabilities and data requirements, as well as the parties affected by them. These capabilities and requirements include data retention periods, lifecycle linkages and reporting requirements, clock synchronization, reporting timelines, error rates, and error corrections. Affected parties, other than the Commission, include the Participants[406] (the parties directly obligated by Rule 613 and the CAT NMS Plan), Industry Members,[407] and investors. Investors are the ultimate beneficiaries of the CAT, while Industry Members are affected through the CAT reporting rules adopted by SROs. As described in Part

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406 See notes 3-4 and associated text for a description of the national securities exchanges and national securities association that are collectively referred to as the "Participants."

407 See CAT NMS Plan, supra note 3, at Section 1.1 (defining "Industry Member" as "a member of a national securities exchange or a member of a national securities association").

II, the Commission and the Participants currently use CAT Data for a range of regulatory functions, including market surveillance, investigations, examinations, market reconstruction, and market structure and economic analysis.[408] The extent to which the Proposal preserves CAT Data's support for these functions is therefore assessed relative to the current baseline. This section discusses the current state of these capabilities and requirements and then briefly discusses the affected parties.

a. Retention Period

The current retention period for CAT data is three years, with shorter retention periods for certain data.[409] Specifically, the retention period for options market maker quote data and Options SIP data is six months,[410] and interim operational data are not retained beyond 15 days.[411] In addition, CAT submission data must be retained by the Participants for a period of not less than five years, and by Industry Members for a period of not less than three years.[412] The first two years of data held by CAT Reporters must be in an easily accessible place.[413] These recordkeeping obligations separately apply to CAT submission files, meaning the records of information submitted to the Central Repository, rather than to the underlying trade or customer records themselves. Those underlying records are subject to separate maintenance and

408 See supra Part II.B.1. and Part IV for discussions of the current uses of CAT.

409 See CAT NMS Plan, supra note 3, Appendix D Section 1.4.

410 Id. at Appendix D Section 3.4.

411 Id. at Appendix D Section 6.4.

412 See 17 CFR 240.17a-1(a)-(b) and 17 CFR 240.17a-4(b)(4).

413 See 17 CFR 240.17a-4(b)(4).

preservation requirements under Rule 17a-1 for national securities exchanges and national securities associations and under Rule 17a-4 for broker-dealers.[414]

b. Lifecycle Linkages

Much of the data in the CAT is presented as events in lifecycles. Lifecycles allow regulators to analyze how an order was routed, from initiation of an order until ultimate execution or cancellation. Regulators with a specific regulatory purpose can analyze a particular customer's trading activity across accounts via a CCID.[415] Each link in the lifecycle carries a timestamp along with an event. Lifecycle linkages are currently managed by the Plan Processor.[416] In particular, CAT Reporters send information to the Plan Processor, which then links the transactions to form a lifecycle. Lifecycles are formed using a "daisy chain" approach, linking distinct events from several reporters to create a single lifecycle. The "daisy chain" approach relies on the reporter routing an order and a reporter accepting an order to report the same details about the order.[417] There are many key details that are part of a lifecycle.[418] Some data is reported by Industry Members, while other data is reported by the Participants.[419] In

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414 See supra Part IV.M. for a discussion of current recordkeeping requirements related to CAT submission files.

415 See supra Part II.A. Currently, a CCID is generated for each customer using a two-phase transformation process. In the first phase, a CAT Reporter transforms a customer identifier, such as an SSN and/or ITIN, EIN, or applicable foreign identifier, into an interim value known as a Transformed Identifier or ''TID.'' The TID, and not the SSN and/or ITIN, is reported to and stored in an isolated, secure database called the CCID Subsystem, separate from any other information reported to the CAT. In the second phase, the CCID Subsystem again transforms the TID to create a unique CCID for each customer. See Concept Release, supra note 10, at 20957.

416 "Plan Processor" means "the Initial Plan Processor or any other Person selected by the Operating Committee pursuant to SEC Rule 613 and Sections 4.3(b)(i) and 6.1, and with regard to the Initial Plan Processor, the Selection Plan, to perform the CAT processing functions required by SEC Rule 613 and set forth in this Agreement."

417 See CAT NMS Plan, supra note 3, Appendix D Section 3 for details of the "daisy chain" approach.

418 See, e.g., id. at Sections 6.3-6.4.

419 See id. at Section 6.3 for data that is submitted to the Central Repository by the Participants. See id. at Section 6.4 for data that is submitted to the Central Repository by Industry Members.

addition, some information is collected and reported but not linked to lifecycles, including SIP Data and options market maker quotes.[420]

Some data, including bids or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not "immediately actionable"[421] and certain data on port-level settings that communicate Material Terms of the Order,[422] are not provided due to exemptive relief. In addition, data on "floor" verbal activity is not reportable to the CAT until July 31, 2030.[423] Linkages do not need to be made between customer orders and representative orders for scenarios in which Industry Members do not have a systematic or direct link between their order management systems and execution management systems until January 1, 2028.[424] The Commission has also provided exemptive relief and approved amendments to the CAT NMS Plan to enable the SROs to remove personally-identifiable information ("PII") from the CAT, meaning that regulators have continued to rely on

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420 Id. at Section 6.5 and Appendix D Section 3.

421 See NIA Electronic RFQ Responses Order, supra note 374. This includes data provided by Industry Members to record and electronically report to the Central Repository bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format (e.g., FIX) that is not "immediately actionable" (i.e., further action is required by the responder providing the quote in order to execute or cause a trade to be executed). NIA Electronic RFQ Responses Order, supra note, at 7.

422 See Securities Exchange Act Release No. 98848 (Nov. 2, 2023), 88 FR 77128, 77131-32 (Nov. 8, 2023); Port Level Settings Exemptive Order, supra note 385. This exemptive relief only applies to entities that send the Material Terms of the Order. Material Terms of the Order is defined in Part IV.A.

423 "Floor" activity is "floor broker verbal announcements of firm orders on an exchange that are otherwise reported as systematized orders" and "market maker verbal announcements of firm quotes on an exchange trading floor." CAT NMS Plan, supra note 3, Section 6.3(g)(i)-(ii); Verbal Quotes Amendment Order, supra note 365.

424 2026 Representative Orders Exemptive Relief Order, supra note 380. These orders are created in firm accounts for the purpose of facilitating a customer order (e.g., linking a customer order handled on a riskless principal basis to the street-side proprietary order). Id. at 3601.

alternative data sources (including the EBS system) for regulatory purposes more than anticipated by the Commission when it approved the CAT NMS Plan in 2016.[425]

c. Clock Synchronization

In order to capture the precise timing of events reported, the CAT NMS Plan requires the synchronization of Business Clocks by the Participants and Industry Members through the compliance rules set by the Participants.[426] Precise standards are important because the automated trading that is prevalent on equity and options exchanges results in market participants reacting to market events on microsecond timescales.[427] Therefore, an accurate reconstruction depends on knowing, as best as possible, which of two events occurring in the same second came first, for example. In addition, under exemptive relief provided by the Commission that will expire on April 8, 2030, information must be reported in milliseconds, unless a CAT Reporter can provide finer time increments, and then only up to nanoseconds.[428]

SROs must currently comply with requirements involving clock synchronization. In addition, there are clock synchronization requirements for Industry Members that are enforced

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425 See, e.g., CCID Exemption Order, supra note 326 (providing conditional exemptive relief from CAT NMS Plan requirements obligating the SROs to collect social security numbers (''SSNs'') and/or individual tax payer identification numbers (''ITINs''), dates of birth, and account numbers associated with natural persons); CAIS Exemption Order, supra note 328 (providing conditional exemptive relief from CAT NMS Plan requirements obligating the SROs to collect names, addresses, and years of birth for U.S. natural persons); CAIS Amendment Approval Order, supra note 333 (codifying the CCID Exemption Order and the CAIS Exemption Order and, among other things, enabling the SROs to eliminate: (1) historical customer and account-level data, including, among other things, names, addresses, and years of birth, (2) names, addresses, and years of birth (where applicable) for foreign natural persons, for legal entities, and for authorized traders, and (3) employer identification numbers).

426 See CAT NMS Plan, supra note 3, Section 6.8. See notes 261-263 and associated text supra for a discussion of why different requirements exist for Participants and Industry Members.

427 See Securities and Exchange Commission Release No. 105655 (June 11, 2026), 91 FR 36656 (June 17, 2026) Section VI.B.4.b, discussing the speed at which the exchange-traded equities market operates.

428 In the absence of this exemptive relief, CAT Reporters whose systems utilize timestamps finer than nanoseconds would be required to report those finer timestamps. See 2025 Timestamp Granularity Exemptive Relief Order, supra note 271.

through SRO rules. The clock synchronization requirement for SROs is to synchronize Business Clocks at a minimum to within 100 microseconds of the time maintained by NIST, consistent with industry standards. This requirement does not apply to Business Clocks used solely for Manual Order Events. The requirements for Industry Members are more extensive. SROs have adopted rules with respect to clock synchronization which require the following from Industry Members: (1) Synchronize their respective Business Clocks at a minimum to within fifty (50) milliseconds of the time maintained by the NIST atomic clock, and maintain such synchronization; (2) Certify periodically (according to a schedule to be defined by the Operating Committee) that their Business Clocks meet the requirements of the SRO Compliance Rules;[429] (3) Report to the Plan Processor and the Participant any violation of the Compliance Rule pursuant to the thresholds set by the Operating Committee;[430] (4) Industry Members must synchronize their Business Clocks used solely for Manual Order Events at a minimum to within one second of the time maintained by the NIST atomic clock, consistent with industry standards, and maintain such synchronization. Industry Members must also certify periodically (according to a schedule defined by the Operating Committee) that their Business Clocks used solely for Manual Order Events meet the requirements of the Compliance Rule. Industry Members using Business Clocks solely for Manual Order Events must report to the Plan Processor any violation of the Compliance Rule pursuant to the thresholds set by the Operating Committee; (5) Industry Members must synchronize their Business Clocks used solely for the time of allocation on Allocation Reports at a minimum to within one second of the time maintained by NIST, consistent with industry standards, and maintain such synchronization. Industry Members must

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429 The Operating Committee has specified that this certification takes place annually. See supra note 267.

430 1., 2., and 3. do not apply to Business Clocks used solely for Manual Order Events or the time of allocation on Allocation Reports.

certify periodically (according to a schedule defined by the Operating Committee) that their Business Clocks used solely for the time of allocation on Allocation Reports meet the requirements of the Compliance Rule. Industry Members using Business Clocks solely for the time of allocation on Allocation Reports must report to the Plan Processor any violation of the Compliance Rule pursuant to the thresholds set by the Operating Committee; (6) Industry Members must report information required under Rule 613 and the CAT NMS Plan to the Central Repository in milliseconds.[431]

There are additional requirements for the Participants with respect to reporting information to the Central Repository in milliseconds. To the extent that any Participant's order handling or execution systems utilize timestamps in increments finer than the minimum required under the CAT NMS Plan, a Participant must use a finer increment when reporting CAT Data to the Central Repository.[432] Each Participant has adopted compliance rules that: (i) require that its Industry Members that utilize timestamps in increments finer than the minimum required under the CAT NMS Plan in their order handling or execution systems shall utilize such finer increment when reporting CAT Data to the Central Repository; and (ii) provide that a pattern or practice of reporting events outside of the required clock synchronization time period without reasonable justification or exceptional circumstances may be considered a violation of SEC Rule 613 and the CAT NMS Plan.[433]

d. Reporting Timelines, Errors, and Corrections

431 See CAT NMS Plan, supra note 3, Section 6.8.

432 Id.

433 Id.

CAT data is currently required to be reported according to timelines that allow for an initial submission of data and correction of errors. Table 1 lists the reporting timelines and what is required at each step with respect to transaction data:

Table 1. ***Current CAT Timeline Reporting Requirements***[a]	
Action	**Deadline**
Initial Data Submission	8:00 a.m. Eastern Time T+1[434]
Initial Validation, Error Feedback	12:00 (5:00) p.m. Eastern Time T+1
Resubmission of Errors Due	8:00 a.m. (5:00 p.m.) Eastern Time T+3
Reprocessing of Error Corrections	T+4 (5:00 p.m. Eastern Time)
Data Ready for Regulators	8:00 a.m. Eastern Time T+6 (T+5)
a. See CAT NMS Plan, supra note 3*, at Appendix D Section 6.1 and 6.2. CAT reference data reporting times are in parentheses.*	

CAT Reporters currently must submit their initial data by 8:00 a.m. Eastern Time T+1. The Plan Processor then conducts a validation, checking for errors, and gives feedback to reporters for corrections by 12:00 p.m. Eastern Time or 5:00 p.m. Eastern Time for reference data. Reporters then have until 8:00 a.m. Eastern Time T+3 for transaction data, or 5:00 p.m. Eastern Time T+3 for reference data, to resubmit corrected data. The Plan Processor begins to re-process the error-corrected data by T+4, specifically 5:00 p.m. Eastern Time for reference data. The data is then ready for Regulators at 8:00 a.m. Eastern Time T+6, or 8:00 a.m. T+5 Eastern Time for reference data.

Errors in data and late reporting are currently managed through CAT NMS Plan requirements and SRO Compliance Rules mandating that error rates be limited, and requirements

434 "T+1" means "transaction date + one day." Similar shorthand has been used to describe other deadlines.

on how to process late-reported data. In addition, the Plan Processor has procedures to validate data at the time of reporting to check for errors.

The CAT NMS Plan requires the rate of errors for data reported to the central repository to be no more than five percent.[435] Separately, SRO rules require that no individual Industry Member exceed this rate of errors in its own reporting.[436] All Industry Members that are CAT Reporters are members of an SRO, and so must comply with SRO rules related to error correction and Industry Member-specific compliance rates.[437] The Plan Processor implements data validation checks at the time the data is reported. These validations include checking that files are in the correct format, syntax and context checks, and that CAT reportable events are correctly linked.[438] In addition, the Plan Processor produces a daily report on statistics related to reporting and errors.[439] CAT Reporters have an opportunity to correct errors that do not pass the initial validation process.[440] CAT Reporters have a duty to retain initial incorrect data.[441] Error corrections can be processed at any time, including outside of the standard repair window.[442] On a monthly basis, the Plan Processor publishes reports for CAT Reporters assessing their performance and compares it against other CAT Reporters.[443]

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435 See CAT NMS Plan, supra note 3, Section 6.5(d)(i).

436 No Industry Member can exceed the error rate set by the Operating Committee, which is unchanged from the initial 5% rate. See, e.g., FINRA Rule 6893(c) and supra note 323.

437 See FINRA Rule 6893(d). The exact compliance thresholds are not addressed in the rule itself.

438 See, e.g., CAT NMS Plan, supra note 3, Appendix D Section 7.2.

439 See id. at Appendix D Section 10.1.

440 See id. at Appendix D Section 7.2.

441 Id.

442 See id. at Appendix D Section 7.4, including a list of duties by the Plan Processor in support of error corrections.

443 Regulatory users have multiple tools to check CAT error rates. One set of tools is report cards. Report cards contain reporting statistics with information on how reporters compare to similar entities. Another set of

If data is reported after applicable deadlines, it is not processed into the lifecycle linkage upon intake. However, the CAT NMS Plan provides for ways in which this late data can be linked to the appropriate lifecycle. First, late data are eventually linked to their associated lifecycles via a quarterly process run by the Plan Processor called the "Enhanced Late to the Lifecycle" process.[444] Second, the CAT NMS Plan provides authorized regulatory users from the Participants or the Commission with the ability to direct the Plan Processor to perform "Full Replay" re-processing of late-reported data on an ad hoc basis,[445] a feature that enables users to request that specific late-reported elements be linked to their respective lifecycles in the repository.[446] Even without using Full Replay, regulators can identify which lifecycles unlinked data belong to by using the Associated Lifecycle ID field generated by the "Enhanced Late to the Lifecycle" process.

e. SRO Requirements for Members

The obligations of Industry Members to send reportable events to the CAT are implemented via SRO CAT Compliance Rules.[447] These CAT-related SRO rules include

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tools is daily reporting statistics. In addition, the Plan Processor emails CAT Reporters who are reporting far outside of industry standards. See id. at Appendix D Section 10.4.

444 See 2025 Cost Savings Amendment Approval Order, supra note 368, at 16293 n.138.

445 See CAT NMS Plan, supra note 3, Appendix D Section 6.2. The Full Replay process is, "Functionality to present to regulatory users post-T+5 data in a manner substantially similar to how such data would have been represented if it had been reported prior to T+5, including by replicating and replaying records with enrichments impacted by post-T+5 submissions, creating updated enrichments, and persisting the replicated records within the underlying data." See 2025 Cost Savings Amendment Approval Order, supra note 368, at 16293.

446 Because Full Replay is only available to be used on an ad-hoc basis, the costs of Full Replay change annually based upon regulator usage. See 2025 Cost Savings Amendment Approval Order, supra note 368, at 16293 n.138. Full Replay has not been requested by either the Participants or the Commission since the issuance of exemptive relief related to this functionality on September 30, 2025. See Securities Exchange Act Release No. 34-104144 (Sept. 30, 2025), 90 FR 47853, 47855-56 (Oct. 2, 2025).

447 See supra Parts IV.I.1, IV.I.2, IV.I.3, IV.I.5, IV.J, and IV.M for SRO rules applied to Industry Members in fulfillment of CAT obligations.

recordkeeping requirements in addition to the mandate to report. There are also SRO recordkeeping requirements to retain clock synchronization logs for at least five years.[448] The exact nature of the reporting requirements differs by industry member type. For example, each ATS has additional reporting requirements imposed by SROs in order to gather information that is required under the CAT NMS Plan.[449] One example of an ATS reporting requirement is to provide the National Best Bid and National Best Offer (or relevant reference price) at the time of execution, and the date and time at which the ATS recorded such National Best Bid and National Best Offer (or relevant reference price).[450]

f. Regulatory Use of CAT Data

The information reported to the CAT, and its processing into a format that makes it easier to track the lifecycle of an order and the activity of accounts across markets, contributes to investor protection. The information is used by regulators for activities such as market surveillance, investigations, examinations, market reconstruction, and market structure and economic analysis.[451] These activities protect investors by assisting in the detection of violative behavior. For example, a tip to the Commission about violative behavior could lead to an investigation. That investigation could utilize CAT data. However, if the data contains errors, violative behavior could go undetected, or prolong the investigation. If data is not available quickly, this could also lead to a delay in the investigation.

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448 See supra note 266 for a discussion of the retention requirement for clock synchronization logs.

449 See, e.g., FINRA Rule 6830(a)(1)(A)(xi), 6830(a)(1)(B)(viii), 6830(a)(1)(C)(x), 6830(a)(1)(D)(ix), 6830(a)(1)(E)(viii), 6830(a)(2)(D), and 6830(f).

450 See FINRA Rule 6830 (a)(1)(E)(viii)(a).

451 See supra Part II.B.1. for a discussion of usage of the CAT.

Among regulators, the current framework provides equal access to the cross-market data available through the CAT, on the same terms and conditions for each regulator and without favoring any regulator over another.[452] Each SRO therefore obtains access to cross-market CAT Data rather than only to data concerning activity occurring on its own market. Cross-market access allows regulators to evaluate activity on one venue in the context of a market participant's activity across venues and may therefore permit identification of conduct that would not be apparent from activity on a single market alone. CAT users can access CAT data using query tools, and can be assisted with a query by contacting the CAT help desk.[453]

2. Funding

The CAT is funded pursuant to the funding model set forth in the CAT NMS Plan. The Operating Committee approves the CAT budget and the fees necessary to fund it consistent with the funding model set forth in the CAT NMS Plan. Each Participant then submits fee filings to the Commission pursuant to Rule 19b-4 to impose fees on its members. The CAT NMS Plan requires contributions from both Participants and Industry Members.[454] The funding required for CAT currently stands at approximately $147 million per year.[455] The allocation of funding among each group of market participants has been, and continues to be, a contentious topic among the Participants, Industry Members, and other market participants and has been the subject of amendments to the CAT NMS Plan, exemptive relief orders, and litigation.

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452 See supra Part II.C.2. for a discussion of the importance of equal access among regulators.

453 See supra Part II.C.4. for a discussion of the CAT help desk and query tools.

454 See, e.g., CAT NMS Plan, supra note 3, Section 11.3.

455 See CAT NMS PLAN, CONSOLIDATED AUDIT TRAIL, LLC 2026 FINANCIAL AND OPERATING BUDGET (Mar. 31, 2026), available at https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf (un-audited). The total estimated operating expenses for 2026, comprising technology costs, general & administrative, capitalized development, and licensing fees, total $147,044,869. These operating expenses do not include the costs CAT Reporters incur in preparing and transmitting data to the CAT.

Currently, the CAT is funded in accordance with the 2026 Funding Model, which requires contributions by both Participants and Industry Members.[456] CAT fees in the 2026 Funding Model are based on executed equivalent share volumes of transactions in Eligible Securities[457] and they are paid evenly by the Participants, executing brokers representing buyers, and executing brokers representing sellers.[458] Beyond this allocation of CAT costs to the Participants, there is no separate fee assessed on the Participants for their access to or their use of CAT Data.

While the 2026 Funding Model prohibits Participants from filing a proposed rule change under Section 19(b)(2) to establish a fee that would pass their CAT costs through directly to their members, it does not prohibit Participants from funding "their share of CAT costs through other mechanisms that may indirectly result in Industry Members (or others, including investors) ultimately bearing those costs."[459] For example, the 2026 Funding Model does not preemptively prohibit Participants from recovering their CAT costs indirectly through increases in fees the Participants charge their members.[460] To the extent a Participant were to seek to do so, "any

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456 See supra Part II.B.2.

457 Each executed share for a transaction in NMS Stocks is counted as one executed equivalent share. Securities Exchange Act Release No. 103960 (Sept. 12, 2025), 90 FR 44910, 44918 (Sept. 17, 2025). Each executed contract for a transaction in Listed Options is counted based on the multiplier applicable to the specific Listed Option (i.e., 100 executed equivalent shares or such other applicable multiplier). Id. Each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share. Id.

458 As a result of the allocation of CAT costs, under the current budget of $147 million, Participants would be allocated one third, which is $49 million, and Industry Members would be allocated two thirds, which is $98 million.

459 See 2026 Funding Model Order, supra note 60, at 13413.

460 See id.

such indirect pass-through fees would be subject to the rule filing process under Section 19(b)(2) of the Act and must be reasonable, equitable, and not unfairly discriminatory."[461]

Because CAT fees are assessed based on executed equivalent share volume, they increase the marginal cost to a Participant of executing transactions for its members. Typically, businesses raise prices when faced with increases in costs.[462] Like every business, the Participants need to recover their costs to remain viable.[463] Additionally, as discussed in the 2026 Funding Model Order, while the direct pass-through prohibition gives meaning to the Plan's requirement that the Participants and Industry Members share in CAT costs, the Plan does not change the reality as to how the Participants are funded, including how they fund the costs of fulfilling their regulatory obligations.[464] As discussed in the 2026 Funding Model Order, the Participants typically have several sources of revenue that they could use to recover their share of CAT costs, including indirectly through increases in member fees or increases in the prices they charge for their services.[465]

As discussed in the 2026 Funding Model Order, Industry Members will also likely attempt to pass through their CAT fees or otherwise recover these costs.[466] Some portion of CAT fees would therefore be expected to be passed through to investors, either directly or

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461 See id.

462 See 2026 Funding Model Order, supra note 60, at 13467.

463 See id.

464 See, e.g., CAT NMS Plan Approval Order, at 84794 ("The Participants, as SROs, have traditionally recovered their regulatory costs through the collection of fees from their members, and such fees are specifically contemplated by the Exchange Act. … [S]uch fees must be consistent with applicable statutory standards under the Exchange Act."); id. ("[T]he Exchange Act specifically permits the Participants to charge members fees to fund their self-regulatory obligations."); id. at 84796-97 ("[T]he Exchange Act permits the Participants to assess fees among their members to recoup their regulatory costs, as long as such fees meet the applicable Exchange Act standards.").

465 Id.

466 See 2026 Funding Model Order, supra note 60, at 13474.

indirectly through other mechanisms. Participants and Industry Members may also find it in their interest to only pass through a portion of their CAT expenses and bear the balance of those expenses themselves. For example, they may decide not to pass through all of their CAT expenses because they have other business relations with their customers and not passing through all of their CAT expenses may result in goodwill with their customers.

Under the 2026 Funding Model, the Plan Processor and the Participants will not be permitted to bill or otherwise request payment for CAT fees to fund the costs to build, operate, and administer the CAT from Industry Members after March 31, 2028.[467] In the absence of an amendment to the CAT NMS Plan or Commission action, the Participants would be prohibited from collecting fees after that date.

Today, the Commission separately granted exemptive relief to the Participants to enable them to recover certain historical development and implementation costs from Industry Members that they incurred between January 1, 2022 through July 15, 2024.[468]

The Commission's budget is set annually through the congressional appropriations process. Section 31(a) of the Exchange Act requires the Commission to collect transaction fees and assessments from each national securities exchange and national securities association that are designed to recover the costs to the government of the annual appropriation to the Commission by Congress.[469] Section 31 fees are deposited and credited as offsetting collections to the account providing appropriations to the Commission.[470] Section 31 fees are based on the

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467 Id.

468 The exemptive relief granted by the Commission enables CAT LLC to establish a recovery period of one year for this collection. See also Part II.C.3 for more details.

469 15 U.S.C. 78ee.

470 Id.

aggregate dollar amount of covered sales, at a rate set annually that is reasonably likely to result in collections that are equal to the Commission's annual appropriations. [471]

3. Governance

The Operating Committee acts as CAT LLC's governing body.[472] This section describes the governance structure established by the CAT NMS Plan, the role of the Commission, and the incentives structure that it creates for the Participants and Industry Members.

a. The Governance Structure

The CAT NMS Plan is managed by an Operating Committee of SRO Participants, each holding one equal vote.[473] An Advisory Committee of diverse stakeholders offers input but cannot vote. The Commission does not manage the CAT, but it can exercise its statutory powers to regulate the Participants' implementation and operations of the CAT.[474]

i. Operating and Advisory Committees

Serving as CAT LLC's governing body, the Operating Committee holds authority over all policy decisions, management, and supervision of the CAT, subject to Commission oversight.[475]

The principal functions of the Operating Committee include selecting and supervising the Plan Processor; approving technical specifications, material system changes, and material

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471 Id.

472 See supra Part II.B.2.

473 See supra Part II.B.2.

474 See supra Part II.B.2 and infra Part V.B.3.a.ii.

475 See CAT NMS Plan, supra note 3, 4.1–4.3 (Operating Committee). Affiliated SROs may appoint a single representative to cast the votes of multiple affiliated Participants, but each affiliated Participant still counts as one vote. See id. at Section 4.2(a).

contracts;[476] approving the annual budget, reserves, funding policies, and fees; overseeing compliance and security functions; appointing or removing specified officers and the Independent Auditor; reviewing the Plan Processor's performance; interpreting the CAT NMS Plan; establishing subcommittees, including a Compliance Subcommittee; and selecting the Advisory Committee.[477]

The Plan Processor performs the principal operational functions under the Operating Committee's direction and supervision, including maintaining the CAT's technology; validating, processing, linking, and storing CAT Data; maintaining technical specifications; administering information security and access controls; providing regulatory query tools and reports; and operating the help desk.[478] The Operating Committee maintains working groups and subcommittees—the Compliance Subcommittee, for example, assists the Chief Compliance Officer with confidentiality, data accuracy, completeness, timeliness, and consistent enforcement of Participant obligations.[479] The Advisory Committee provides non-binding advice on CAT implementation, operation, and administration.[480]

The Operating Committee consists of one voting representative from each Participant, regardless of size or market share, although a representative may cast the votes of affiliated Participants. Routine matters generally require a majority; consequential matters, including Plan

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476 These are the changes or updates to the CAT System made by the Plan Processor that would significantly alter the functionality of the Central Repository. See id. at Section 1.1; see also CAT NMS Plan Approval Order, supra note 3, at 84943–44.

477 See CAT NMS Plan Approval Order, supra note 3, at 84700–03, 84705–06; see also supra Part V.B.3.a.i-ii. The Operating Committee manages CAT LLC except where the CAT NMS Plan or non-waivable applicable law requires the Participants' approval. See CAT NMS Plan, supra note 3, at Section 4.1(a).

478 See supra Part II.B.2; CAT NMS Plan Approval Order, supra note 3, at 84705–06.

479 CAT NMS Plan, supra note 3, Section 4.12 (Compliance Subcommittee). See also supra Part II.C.6.

480 CAT NMS Plan Approval Order, supra note 3, at 84702–03; see supra Parts II.B.2 and II.C.6.

Processor selection or removal, key officer appointments, material contracts, material system changes, and Technical Specifications require a two-thirds supermajority; and certain matters require unanimous Participant action. Members may recuse themselves, and the Committee may compel recusal by supermajority vote. The Committee may delegate authority to subcommittees.[481] The Committee therefore operates through negotiation and voting among competing SROs, which can result in delays when Participants disagree with each other or with the Commission over a proposal.[482]

ii. The Role of the Commission

The Commission oversees, but does not administer, the CAT NMS Plan. While the Commission can exercise its statutory powers to regulate the Participants' implementation and operation of the CAT and compliance with Rule 608, Rule 613, other federal rules and regulations, and the CAT NMS Plan, the multi-layered structure has proven less conducive than expected to efficient governance of a complex and evolving technology project like the CAT.

The Commission does not operate the CAT, vote on the Operating Committee, or directly manage contracts with key vendors such as the Plan Processor. The mechanisms for resolving disagreements regarding the implementation or operation of the CAT can prolong decision-making and impose burdens on the Commission, the Participants, and Industry Members.[483]

b. Economics of CAT Governance Structure

481 See CAT NMS Plan Approval Order, supra note 3, at 84700–03, 84705–06.

482 See supra note 78 and associated text.

483 See supra Part II.B.2; see also 17 CFR 242.608(a)–(b).

The governance structure shapes the incentives of the parties involved, which in turn influence the CAT's decision-making, the CAT's future direction, and some of the friction that currently exists both among Participants and between Participants and Industry Members.

i. Cost Externality and Participant Coordination

The Participants make the decisions on the CAT's development and operation,[484] and the CAT NMS Plan permits them to recover some of the resulting costs from Industry Members.[485] The Participants are sensitive to costs of operation, as they bear some of those costs.[486] Industry Members also bear a portion of the costs, under the Plan's funding arrangements, but do not have decision-making authority. Accordingly, CAT development and operating decisions made under this structure could differ from decisions that would have been made if decision-making authority were distributed among all parties bearing costs.[487] This separation creates a cost

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484 These could include the scope of data collected, reporting requirements, processing and storage capacity, data quality, regulatory access, query tools, and other features supporting surveillance, examinations, enforcement, and market analysis. See also supra Part II.B.2.

485 See 2026 Funding Model Order, supra note 60, at 13413. Participants are responsible for one-third of CAT costs; and while the 2026 Funding Model bars them from directly passing that share through to Industry Members via a new fee, it does not preemptively prohibit indirect recovery through other member fees. Any such recovery would remain subject to the Section 19(b) filing process and applicable requirements, and the Commission has not determined that such recovery would be permissible. See also supra Part II.B.2.

486 See the discussion in Part II.B.2.

487 See, for example, "Citadel Letter" (June 22, 2026) at 2-3. See supra note 83.

externality,[488] which likely contributes to a persistent friction between Participants and Industry Members.[489]

Even among the Participants, committee governance presents two related coordination challenges. Reaching a joint decision requires communication and negotiation among Participants, which can make committee coordination slow and costly.[490] Secondly, Participants may have different interests in a decision and unequal influence over its outcome[491]—voting power on the CAT Operating Committee is not aligned proportionally with each Participant's share of the cost burden;[492] additionally, the one-vote-per-Participant structure of the Operating Committee allows a few affiliated exchange groups to accumulate significant influence over the

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488 Externality theory examines how one party's actions affect others and whether those effects are reflected in the decision-maker's choices. Buchanan and Stubblebine (1962) analyze when such effects are economically consequential; Mishan (1969) relates external effects to joint products and collective goods; Baumol and Bradford (1972) show how externalities can alter the economy's production possibilities. See James M. Buchanan & Wm. Craig Stubblebine, Externality, 29 Economica 371 (1962); E. J. Mishan, The Relationship between Joint Products, Collective Goods, and External Effects, 77 J. Pol. Econ. 329 (1969); W. J. Baumol & David F. Bradford, Detrimental Externalities and Non-Convexity of the Production Set, 39 Economica 160 (1972).

489 See infra Part V.B.3.b.ii.

490 Committee procedures may take longer than market mechanisms because they require explicit communication and negotiation before decisions are made, even though it is more likely to achieve coordination. See Joseph Farrell & Garth Saloner, Coordination Through Committees and Markets, 19(2) The RAND J. Econ. 235 (1988). Collective-choice theory also recognizes that reaching decisions can consume time and resources, including through the processes of negotiation and agreement. Herbert J. Kiesling, Potential Costs of Alternative Decision-Making Rules, 4 Pub. Choice 49 (1968); Alex C. Michalos, The Costs of Decision-Making, 9 Pub. Choice 39 (1970).

491 Collective-action research identifies group heterogeneity as relevant to how collective outcomes are produced (Oliver, Marwell & Teixeira, 1985). Tsebelis (1995) shows that policy change becomes more difficult as the number of actors whose agreement is required increases and their positions diverge. See Pamela Oliver, Gerald Marwell & Ruy Teixeira, "A Theory of the Critical Mass. I. Interdependence, Group Heterogeneity, and the Production of Collective Action," 91 American Journal of Sociology 522 (1985); Tsebelis, "Decision Making in Political Systems: Veto Players in Presidentialism, Parliamentarism, Multicameralism and Multipartyism," 25 British Journal of Political Science 289 (1995).

492 For example, FINRA holds a single vote (approximately 4% of the governance weight) on the Operating Committee yet is allocated roughly 40% of the Participants' share of CAT costs. See 2026 Funding Model Order, supra note 56, at 13431.

CAT,[493] and currently the four affiliated exchange families hold enough votes to outvote the seven independent SROs, and FINRA.[494]

ii. Friction in Governance

The fact that not all the entities that bear costs are involved in CAT decision making,[495] the coordination challenges within the Operating Committee governance,[496] and the fact that Industry Members and the Participants have different views of what share of costs they should be responsible for, have generated recurring friction.

Participants and Industry Members continue to disagree about funding arrangements. Even though the Participants have incentives to contain CAT's costs, and have advanced a series of amendments implementing cost-savings measures,[497] the disputes have persisted across repeated funding proposals.[498]

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493 See, e.g., the SEC's notices adding MIAX Emerald, LLC, Long-Term Stock Exchange, Inc., and MEMX, LLC as CAT Participants: Joint Industry Plan; Notice of Filing and Immediate Effectiveness of Amendment to the Plan Governing the Consolidated Audit Trail To Add MIAX Emerald LLC, as a Participant, Exchange Act Release No. 85230 (Mar. 1, 2019), 84 FR 8356 (Mar. 7, 2019); Joint Industry Plan; Notice of Filing and Immediate Effectiveness of Amendment to the Plan Governing the Consolidated Audit Trail To Add Long-Term Stock Exchange LLC as a Participant, Exchange Act Release No. 87595 (Nov. 22, 2019), 84 FR 65447 (Nov. 27, 2019); and Joint Industry Plan; Notice of Filing and Immediate Effectiveness of Amendment to the National Market System Plan Governing the Consolidated Audit Trail To Add MEMX LLC as a Participant, Exchange Act Release No. 89306 (July 13, 2020), 85 FR 43626 (July 17, 2020). In 2016, five affiliated groups accounted for 20 SROs, alongside five independent SROs. CAT NMS Plan Approval Order, supra note 17, 84991 n. 2811. The current roster lists 29 Participants: four multi-exchange families—Cboe, Nasdaq, NYSE/ICE, and MIAX—hold 21 votes, while eight other SROs, including FINRA, hold the remaining votes. See Consolidated Audit Trail, Plan Participants, available at https://www.catnmsplan.com/about-cat/participants (last visited Aug. 28, 2026).

494 While changes in the number and ownership of exchanges over the past decade have reduced the vote share of the four large exchange groups, these groups still hold 21 of the 29 Operating Committee votes—more than a two-thirds supermajority. See CAT NMS Plan, supra note 3, Exhibit A.

495 See supra Part V.B.3.b.i.

496 Id.

497 See 2024 Cost Savings Amendment, 89 FR 103033 (Dec. 18, 2024); 2025 Timestamp Granularity Exemptive Relief Order, supra note 303; 2025 Cost Savings Amendment Approval Order, supra note 368.

498 See supra Part V.B.2.

Within the Operating Committee, there has been a recurring divide between FINRA and the exchange groups. FINRA has objected to the fact that its large share of the Participants' portion of CAT costs is not proportional to its voting share,[499] and that affiliated exchange families can aggregate their votes to reach outcomes that favor some Participants over others.[500] Indeed, the 2026 Funding Model was voted for by the Operating Committee over the opposition of FINRA and Cboe.[501]

iii. Provision of CAT Functionality

The SROs maintain multiple business objectives alongside the responsibility to satisfy their specific obligations under the Exchange Act. The resulting decisions determine priorities about and investment allocations in the CAT's functionality.[502]

This can be particularly important along quality dimensions that are non-contractible.[503] Although the CAT NMS Plan and Plan Processor Agreement establish significant quality requirements, including error-rate requirements, validation processes, and requirements

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499 See supra Part V.B.3.b.i, supra note 492. See also 2026 Funding Model Order, supra note 60, at 13430–31.

500 FINRA has questioned the CAT NMS Plan voting structure, stating that "large voting blocks for affiliated exchanges [can] impose costs on other SROs" and that "four blocks of affiliated exchanges together represent 21 out of 27 votes, resulting in voting dynamics that are susceptible to outcomes that favor some Participants at the expense of the broader securities industry." Letter from Steffen N. Johnson, Wilson Sonsini Goodrich & Rosati P.C., to Vanessa Countryman, Secretary, Commission (Oct. 17, 2025), at 16. The quoted "21 out of 27" reflects the Operating Committee roster at the time. See also supra note 494.

501 2026 Funding Model Order, supra note 56, at 13420.

502 Commercial enterprises can weight present, measurable gains, over benefits that are only realized over a longer horizon. See, e.g., Jeremy C. Stein, Efficient Capital Markets, Inefficient Firms: a Model of Myopic Corporate Behavior, 104 Q. J. Econ. 655 (Nov. 1989); see also Narayanan, Managerial Incentives for Short-Term Results, 40 J. Fin. 1469 (Dec. 1985).

503 A quality dimension to a product or service is "non-contractible" if the level of quality cannot be fully specified in advance, objectively measured or verified, and reasonably enforced across future circumstances; this typically stems from the inherent characteristics of the product. See Sanford J. Grossman & Oliver D. Hart, The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Integration, 94 J. Pol. Econ. 691 (1986); Oliver Hart & John Moore, Property Rights and the Nature of the Firm, 98 J. Pol. Econ. 1119 (1990).

concerning regulatory access and query tools, they might not fully specify, measure, or enforce in advance every aspect of CAT Data's fitness, reliability, and practical usability for each regulatory purpose. Some of CAT's most important attributes cannot be fully specified in a contract—for example, the accuracy of the data, the ease of use of the delivery systems, or coverage for regulatory needs not yet identified.[504] Decisions concerning these open quality dimensions would be made by the entity responsible for governing the CAT in accordance with its own priorities, subject to its applicable statutory, regulatory, and contractual obligations.[505]

4. Security

The requirements for ensuring CAT data security are currently set forth in provisions of the CAT NMS Plan and are implemented through the policies and procedures of the Participants, CAT Reporters, and the Plan Processor. The Commission has committed to comparable security standards.[506] Among other security requirements, the CAT NMS Plan requires that CAT have encrypted internet connectivity; reporters are required to connect through secure methods such as virtual private networks or private lines; CAT data must be encrypted at rest and in flight;[507] data centers hosting CAT systems are subject to annual security audits; and access by authorized

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504 An overall error-rate requirement does not fully capture the accuracy, completeness, timeliness, or practical usability of particular data elements, linkages, or data sets for particular surveillance, examination, enforcement, and market-analysis uses. Requirements concerning regulatory access and query tools may specify available functions, but cannot fully prescribe or verify how easily, reliably, and effectively regulators can use those functions for particular investigations or analyses. Similarly, future regulatory questions, data fields, analytical tools, and the appropriate balance among speed, accuracy, functionality, security, reporting burdens, and cost may not be fully anticipated.

505 Residual quality refers to the quality-related decisions left unresolved by a contract because the relevant attributes or future circumstances cannot be fully specified, measured, or enforced in advance. The party holding the relevant control rights makes those decisions, and the way it resolves them depends on its objectives. See Sanford J. Grossman & Oliver D. Hart, The Costs and Benefits of Ownership: a Theory of Vertical and Lateral Integration, 94 J. Pol. Econ. 691 (Aug. 1986); Oliver Hart & John Moore, Property Rights and the Nature of the Firm, 98 J. Pol. Econ. 1119 (1990).

506 See CAT NMS Plan Approval Order, supra note 3, at 84765.

507 The definition of CAT Data does not encompass raw data transmitted by CAT Reporters to the Central Repository, only data derived from such data.

parties requires multi-factor authentication.[508] The Plan also requires compliance with numerous NIST standards, including NIST 800-53, which covers security and privacy controls.[509]

CAT is a facility of the SROs and thus is currently subject to Reg SCI. The CAT NMS Plan specifies that the Technical Specifications shall satisfy all applicable regulations regarding database security, including provisions of Reg SCI.[510] Reg SCI requires SCI entities to, among other requirements, establish written policies and procedures reasonably designed to ensure that their systems have levels of capacity, integrity, resiliency, availability, and security adequate to maintain their operational capability.[511] Such requirements are likely to contribute to the information security of the Central Repository.

The CAT contains order and quote data across the national market system, together with information allowing identification of behavior associated with a single customer via the CCID.[512] The security of CAT Data is also affected by the number of individuals with access to it, whether as part of the reporting process or as regulatory users. The CAT NMS Plan provides control on how many individuals have such access. The policies and procedures of Participants, CAT Reporters, and the Plan Processor dictate the security measures that are in place to screen such users and are required by provisions in the CAT NMS Plan.

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508 See CAT NMS Plan, supra note 3, at Appendix D.

509 Id., at Appendix D section 4.2.

510 See supra Part IV.A.

511 Additional requirements of Reg SCI include: to require participation by designated members or participants in scheduled testing of the operation of their business continuity and disaster recovery plans; to take corrective action with respect to SCI events (defined to include systems disruptions, systems compliance issues, and systems intrusions), and notify the Commission of such events; and to conduct a review of their systems by objective, qualified personnel at least annually, submit quarterly reports regarding completed, ongoing, and planned material changes to their SCI systems to the Commission, and maintain certain books and records.

512 See supra Part IV.K.

5. Affected Parties

The affected parties constitute the Participants, Industry Members, the Plan Processor, and investors. The parties that are directly affected by changes to the CAT are the Participants, the Industry Members, and the Plan Processor. There are currently 29 SROs who constitute the Participants and use the CAT for surveillance.[513] The SRO Compliance Rules on their members collectively apply to 1,075 broker-dealers who are CAT Reporters, which includes more than 40 ATSs.[514] FINRA CAT, LLC is the Plan Processor, which manages the Central Repository.

Investors are indirectly affected by how the CAT is funded. Ultimately, some of the costs of CAT may be passed from SROs to their members, who may, in turn, pass some or all of their CAT-related costs on to investors.[515] Investors benefit from the CAT through improved investor protection.

C. Benefits and Costs

The following discusses the benefits and the costs of the Proposal relative to the baseline established in Part V.B. Because the reporting requirements of proposed Rule 17a-26 are largely consistent with the CAT NMS Plan, the Commission focuses on differences in the structure of the CAT and requirements between the proposed rule and the CAT NMS Plan. The Commission also discusses the effects of the codification of the current CAT NMS Plan requirements related to reporting, as they have been modified by certain amendments, as well as the codification of certain exemptive relief orders. The economic effects of the requirements in the CAT NMS

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513 See supra note 4 for the list of Participants. Green Impact Exchange, LLC, is an approved exchange, though is not currently a Participant. See Securities Exchange Act Release No. 102853 (April 11, 2025), 90 FR 16207 (April 17, 2025). If the number of Participants changes between the Proposal and final order release, the number of Participants and all calculations derived from this number will be updated.

514 See supra Part II.B.1. for the number of ATSs and infra Part VI.B.2. for the number of broker-dealers.

515 See supra Part V.B.2.

Plan, its amendments, and exemptive relief have been analyzed in the respective approving orders and we do not repeat such analysis in this Proposal, but rather rely on said analysis in those approving orders.

1. Impact of the Repository Functionality and Codification of Current CAT NMS Plan Reporting Requirements, Exemptive Relief

Under the proposed rule, the Commission would incorporate into Commission regulations the continued submission of data that is currently required under the CAT NMS Plan.[516] Several SRO reporting rules would also be incorporated,[517] such that Industry Members' CAT reporting obligations would be substantially unchanged, subject to the specific changes discussed above.[518] In addition, the impact of a time-limited amendment and a time-limited exemptive order would be made permanent. Specifically, the impact of the amendment to the CAT NMS Plan providing that "floor" verbal activity is not reportable to the CAT until July 31, 2030 would effectively be made permanent, as floor verbal activity would not be reportable under the new reporting rule.[519] Also, the impact of temporary conditional exemptive relief from reporting requirements of the CAT NMS Plan regarding lifecycle linkages between customer orders and representative orders for scenarios in which Industry Members do not have a systematic or direct link between their order management systems and execution management systems until January 1, 2028 would be made permanent, as the Commission is not proposing to require such lifecycle linkages.[520]

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516 See supra note 418 and Part V.B.1.b for the data required to be submitted under the CAT NMS Plan.

517 See supra Part V.B.1.e. for a discussion of the SRO reporting rules that would be codified.

518 See supra parts IV.C, IV.J, and note 521.

519 See supra note 365 explaining that this activity has never been reported and the status quo would continue under the proposed rule.

520 See supra Part IV.L.3.

In addition, the requirement for data to be submitted by 8:00 a.m. Eastern Time T+1 would be retained. The requirement that transaction data must be corrected by 8:00 a.m. Eastern Time T+3 would also be retained, as would the 5:00 p.m. Eastern Time T+3 deadline for reference-data corrections. However, portions of the current timeline could be left to the Commission.[521]

These codifications would bring some benefits and costs beyond the effects of the original exemptive orders or amendments codified in the CAT NMS Plan. With the permanent removal of requirements for certain data, CAT Reporters would have greater certainty when making decisions on the allocation of funds for the CAT. However, by removing these reporting requirements without an expiration date, the Proposal would forgo the additional CAT data that would otherwise become available when the existing relief expires. Making permanent the delay in collection of "floor" verbal activity would reduce regulatory oversight, which the Commission recognized in issuing the time-limited amendment.[522] Since regulatory oversight would be reduced, investor protection would be reduced when "floor" verbal quotes affect orders.

Separately, codifying the exemptive relief would remove the requirement to report the information needed to link certain representative orders to underlying customer orders in the same lifecycles in the circumstances covered by proposed Rule 17a-26(l)(1)(iii).

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521 See supra Part V.B.1.d. for the reporting timelines under the CAT NMS Plan. Portions of the timeline that the Commission is not currently codifying would be left to a contract, and set by the Commission in accordance with the surveillance responsibilities of the SROs and the Commission.

522 The Commission recognized that delaying the collection of data on "floor" verbal activity could negatively impact regulatory efficiency. See Verbal Quotes Amendment Order, supra note 365, at 26349-26350. The Commission also stated that a delay in the collection of this data could improve regulatory efficiency if the delayed collection of the data led to more accurate data collection. See id. at 26350. Since the data will be permanently absent, regulatory efficiency is negatively impacted. The negative impact in turn reduces investor protection. The temporary conditional exemptive relief from reporting requirements of the CAT NMS Plan regarding lifecycle linkages between customer orders and representative orders for scenarios in which Industry Members do not have a systematic or direct link between their order management systems and execution management systems was issued because Industry Members were unable to comply with CAT requirements. See 2026 Representative Orders Exemptive Relief Order, supra note 380, at 3602.

While the representative order would be present in the CAT, it would not be part of the same lifecycle as the originating customer's order. This lack of linkage reduces regulator surveillance over representative orders, reducing investor protection. The effects of making the time-limited amendment and exemptive relief permanent would not be felt unless there is a positive difference in time between the earlier of the dates from when either the exemptive relief or the time-limited amendment would expire and the adoption of this Proposal. If there is a difference, then data utility would be reduced from the point of the adoption onward.

The Commission intends that functionality of the CAT would be unchanged in the first instance, but could change in the future.[523] In the future, the functionality of the CAT, which includes query tools or tools for monitoring error rates among CAT Reporters, could change.[524] To the extent that there is a change in functionality, SRO users may find their user experience less adapted to their particular needs, which could increase surveillance costs and lead to a decrease in investor protection.

2. Benefits

a. Capabilities/Data

Certain elements of the proposed reporting rule could result in improved investor protection, by improving the quality of data in the CAT. First, the requirement to maintain policies and procedures for accurate reporting could lead to data that contains fewer errors. Second, extending existing clock-synchronization documentation and related requirements to SROs could improve the accuracy of timestamps reported by SROs.

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523 See supra Part II.C.4. for a discussion of the Commission's intent to maintain current CAT functionality. The maintenance of current CAT functionality would depend on the sale of CAT LLC's assets.

524 See supra note 443 for a discussion of tools available to regulators to monitor CAT Reporter error rates. See supra Part V.B.1.d. for a discussion of the purpose of CAT query tools.

i. Requiring Policies and Procedures for Accurate Reporting and Shortening the Retention Period of CAT Submission Data for the Participants

The proposed Rule 17a-26(j)(2), under which CAT Reporters would be required to establish, maintain, and enforce written policies and procedures reasonably designed to ensure compliance with their reporting obligations under proposed Rule 17a-26, review and update those policies and procedures at least annually, and maintain a record of the annual review and update, could potentially improve the quality of data reported to the CAT. An improvement in the quality of the data reported to the CAT could improve investor protection and reduce the costs of maintaining the Central Repository. In addition, the shortening of the retention period of CAT submission files for the Participants could lower costs for the Participants. These savings could be passed on to Industry Members and investors.

The requirements of proposed Rule 17a-26(j)(2) may result in more diligent practices among CAT Reporters in ensuring the efficacy of their reporting systems. Policies and procedures for CAT Reporters could lead to fewer errors in CAT data, and cause files to be submitted to the CAT in a more timely manner. To the extent that this is the case, there may be a corresponding reduction in the rate of errors in reported data, resulting in higher accuracy and timeliness of CAT data, which regulators could then use to improve oversight in listed options and equities markets. In addition, if there is a reduction in late reporting, it is possible that the processing costs of CAT would decrease, because there would be less data that would need to be re-processed using the quarterly Enhanced Late to the Lifecycle process.[525] However, these benefits may be modest, if only because of the number of CAT Reporters proposed Rule 17a-

[525] See supra Part V.B.1.d. for a discussion of Full Replay.

26(j)(2) will affect. The Commission estimates that approximately half of all CAT Reporters have adequate policies and procedures in place to mitigate reporting errors.[526]

Because proposed Rule 17a-26(m) would shorten the data retention period for files submitted by the Participants to the Plan Processor to three years, costs could fall for the Participants. If costs fall for the Participants, then they could pass on these savings to Industry Members through lower fees on their members. Industry Members could in turn pass their savings on to investors.

ii. Clock Synchronization

Under the Proposal, rules for clock synchronization and documentation that currently apply to Industry Members would also apply to the Participants.[527] There would be benefits to regulators, and ultimately investors, from the Commission extending documentation, certification, and logging of clock synchronization, in addition to business clock maintenance, to the Participants. Specifically, clock synchronization requirements applied to the Participants could lead to more accurate data for regulators, ultimately benefitting investors through better protection. In addition, record-retention costs could be reduced due to a shortening of the required retention period for synchronization logs.

The proposed rules for documentation, certification, and maintenance of synchronization procedures for business clocks, and logging of synchronization times, would create more accurate lifecycle data with respect to the timing of events. To the extent that the Participants do not already engage in these activities, which currently apply to Industry Members, specification of rules that apply to both Industry Members and Participants could create more accurate and

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526 See infra Part VI.B.2. PRA Table 2 note 14.

527 See supra Part V.B.1.c. for a discussion of the rules for clock synchronization.

interpretable lifecycle data with respect to the timing of events. To the extent that the Participants already follow these rules, there would be no benefit.

Proposed Rule 17a-26(c)(2) would shorten the required retention period for Industry Member Business Clock synchronization logs from five years to three years. This could reduce record-retention costs to the extent that Industry Members shorten their retention practices in response to the proposed rule. Industry Members could continue to retain those logs for longer periods.

b. Funding

This Proposal contemplates the use of appropriated funds to pay the Commission's costs relating to use, operation, and maintenance of the CAT system. As discussed in Part V.B.2, CAT funding has been a contentious topic and subject of litigation. Funding the CAT through the Commission's budget would resolve certain questions and challenges that have been raised regarding the funding of the CAT generally and the current 2026 Funding Model specifically.[528]

Section 31 of the Exchange Act requires the Commission to collect transaction fees and assessments from each national securities exchange and national securities association that are designed to recover the costs to the government of the annual appropriation to the Commission by Congress.[529] The fees are imposed on covered SROs[530] for sales transacted.[531] As described in Part II.C.5, Section 31 does not address the manner or extent to which covered SROs may seek to recover the costs of such fees. In practice, the covered SROs typically pass through these

528 See supra note 118 and surrounding text.

529 See 15 U.S.C. 78ee.

530 17 CFR 240.31.

531 See 15 U.S.C. 78ee(b).

costs to their members and the members in turn typically pass them through to their customers.[532] The members do so by either charging these costs directly to their customers or by recouping these costs as a business cost through other mechanisms (e.g., investors may receive less price improvement or pay higher transaction costs, or the members bear these costs as a cost that may reduce profits). While the SROs who are currently Participants in the CAT NMS Plan will incur 100% of the Section 31 fees, there is no prohibition against directly passing through these costs to their members. In contrast, the 2026 Funding Model prohibits direct pass-through of Participants' CAT fees to their members, though it does not preemptively prohibit the Participants from recovering their costs indirectly.[533] Thus, compared to the 2026 Funding Model, if the covered SROs passed the costs due to Section 31 fees onto their members, it could result in lower costs of the CAT to the Participants if, under the 2026 Funding Model, the Participants were not able to or decided not to recoup their CAT costs fully from their members.[534] Any such reduction in the costs of the CAT to the Participants may be offset if the Participants were to incur fees to access or use the CAT beyond the Section 31 fees. Depending on the size of such fees to access or use the CAT, the costs of the CAT to the Participants could even increase, unless the Participants pass through those costs to their members.

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532 See surrounding text to note 110 in Part II.C.5.

533 See Part V.B.2 for a detailed discussion on how investors may ultimately bear much of the costs of the CAT.

534 If the SROs passed through 100% of the costs of their Section 31 fees to their members and the members then passed these costs onto their customers, the customers may incur higher costs compared to the 2026 Funding Model if the SROs were not able to or decided not to recoup their CAT costs fully from their members under the 2026 Funding Model. See supra notes 460 and 461 and surrounding text for a discussion that, under the 2026 Funding Model, any attempt by SROs to recover their CAT costs from their members with indirect pass-through fees would be subject to the rule filing process under Section 19(b)(2).

Section 31 fees are based on the dollar value of transactions,[535] whereas CAT fees under the 2026 Funding Model are based on executed equivalent share volumes of transactions.[536] Fees based on share volumes affect transactions in securities with lower prices relatively more than transactions in securities with higher prices. Because Section 31 fees are based on the dollar value of transactions, this assessment method mitigates this issue and lower-priced securities are not at a disadvantage.

Historically, Section 31 fees have been small on a per transaction basis. As noted in the 2026 Funding Model Order, between February 18, 2020 and May 13, 2025, Section 31 fees were equivalent to between $0.00007 and $0.00072 per share.[537] Further, the 2026 Funding Model Order reports that CAT fees were smaller than Section 31 fees by a factor of about 10 or more.[538] Thus, even if Congress appropriated additional funds to the Commission for the purpose of funding the CAT, and this led to an increase in Section 31 fees by an amount equivalent to the value of the current CAT fees, the resulting Section 31 fees would still be small on a per transaction basis when compared to other fees and transaction costs.[539] Ultimately, the costs due to Section 31 fees will likely be borne by investors. However, given the small size of Section 31 fees on a per transaction basis, the impact of those costs on market participants and investors and on their decision making is also small.

Further, given that any increase in Section 31 fees resulting from the use of appropriated funds to support the CAT would likely be small on a per transaction basis, it is unlikely that any

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535 See supra note 530.

536 See 2026 Funding Model Order, supra note 60 and surrounding text.

537 See 2026 Funding Model Order, supra note 60, at 13469, Table 9.

538 See id.

539 See id.

such increase would cause the members of the covered SROs to change their behavior with respect to the costs due to Section 31 fees. The Commission expects the covered SROs would continue to pass through costs due to the Section 31 fees to their members and the members in turn would continue to pass these costs to their customers.

c. Governance

The change in governance under the Proposal is not intended to change the CAT's core operational functions. Its principal benefit would be in reducing the friction among the Participants and the Industry Members that resulted from the governance of the CAT. The Proposal would also relieve the Participants of the coordination and administrative costs of staffing CAT committees and negotiating decisions associated with the Operating Committee governance.

The Proposal could reduce recurring friction between Participants and Industry Members, and among the Participants, by changing who makes CAT development and operating decisions. Under the current structure, only the Participants exercise decision-making authority and the Industry Members often disagree with these decisions; the Participants and the Industry Members also disagree over how CAT costs should be allocated.[540] Additionally, the Proposal would eliminate the need for Participants to coordinate and resolve their differences through the Operating Committee.[541]

Under the proposed rule, the Participants would no longer bear the costs of jointly governing the CAT through the CAT NMS Plan. Governing the CAT requires them to staff the Operating Committee and its subcommittees and negotiate to reach decisions under the CAT

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540 See supra Part V.B.3.b.

541 Id.

NMS Plan's voting thresholds, which likely incurs administrative burdens not covered by the CAT NMS Plan's budget. Consolidating governance in the Commission would relieve the Participants of these coordination and administrative costs.

d. Security

The Proposal would require the SROs and broker-dealers to report information to the Commission or the Designee. As such, federal information security standards would apply to the Central Repository. Many of these security requirements substantially overlap with the NIST standards requirements and audit requirements already encompassed by the CAT NMS Plan.[542] To the extent that the security requirements applicable to SEC contractors exceed the requirements already outlined in the CAT NMS Plan, security could be improved, benefiting the market participants whose privacy is implicated in the CAT Data, although such improvements are likely to be modest.

To the extent that the Central Repository is no longer a facility of any SRO, it may no longer be an SCI system, which would mean that the operator of the Central Repository would no longer be obligated to comply with the requirements of Regulation SCI. This includes, in particular, Rule 1001(a), which requires written policies and procedures reasonably designed to ensure the security of the SCI system, among other things.[543] This is not expected to impact the security of the Central Repository under the Proposal, because, for purposes of Rule 1001(a), the required policies and procedures are deemed reasonable if they are consistent with information technology practices that are widely available to information technology professionals in the financial sector and issued by an authoritative body that is a U.S. governmental entity or

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542 See CAT NMS Plan, supra note 3, at Appendix D-15.

543 See 17 CFR 242.1001.

agency.[544] The Commission, and its contractors, would have to follow numerous information security standards promulgated by U.S. governmental entities, including, for example, NIST standards.

3. Costs

a. Capabilities/Data

i. Requiring Policies and Procedures for Accurate Reporting and Shortening the Retention Period of CAT Submission Data for the Participants

Proposed Rule 17a-26(j)(2) would result in costs on the part of CAT Reporters to develop policies and procedures, and the ongoing cost to maintain these procedures. In addition, a reduction in the retention period of CAT submission files for the Participants could ultimately harm data integrity. The Commission does not believe that there will be costs from eliminating the requirement that the error rate for data reported to the Central Repository not exceed five percent.

The Commission estimates a one-time cost of $116,670 per entity to develop policies and procedures.[545] There would also be annual costs of $79,450 per entity to maintain these policies and procedures.[546] The costs, including maintenance costs, may not be uniform across all CAT

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544 See id.

545 The $116,670 one-time estimate is based on the following calculations: $744.50 = 25% General and Operations Manager ($656 per hour x 0.25 = $164) + 75% Lawyers ($774 per hour x 0.75 = $580.50). $4,995 per entity external costs + ($744.50 per hour x 150 hours per entity) = $116,670 per entity. Occupational rates are calculated as described in infra PRA Table 2 note 16. For additional details on estimates of burden hours and occupations involved, see infra Part VI.B.2 and Part VI.C.2.

546 The $79,450 recurring estimate is based on the following calculations: $744.50 = 25% General and Operations Manager ($656 per hour x 0.25 = $164) + 75% Lawyers ($774 per hour x 0.75 = $580.50). $5,000 per entity external costs + ($744.50 per hour x 100 hours) = $79,450 per entity. Occupational rates are calculated as described in infra PRA Table 2 note 16. For additional details on estimates of burden hours and occupations involved, see infra Part VI.B.2 and Part VI.C.2.

Reporters, particularly if they already have policies and procedures around the collection of data for the CAT.

If the retention period of CAT submission files for the Participants is reduced, the availability of records for verification and investigation could be reduced. Records of CAT submissions older than three years could no longer be available from national securities exchanges and national securities associations. To the extent those records are not retained voluntarily or pursuant to another obligation, it would limit their use to verify data in the Central Repository or reconstruct what a Participant reported. Lower data integrity could impact enforcement investigations. A reduction in the availability of records could harm the investigation of conduct that is four to five years old, within the five-year limitation for penalties under 28 U.S.C. 2462. This effect would be limited because the underlying order, trade, and customer records remain subject to Rules 17a-1 and 17a-4, and the value of retaining duplicate submission records declines once the corresponding data are no longer maintained in the Central Repository.

There would likely not be costs from eliminating the requirement that the error rate on data sent to the Central Repository not exceed five percent. An error rate of five percent would be high by historical standards.[547] The Commission understands that less than five percent of the data in the Central Repository contains errors.

ii. Clock Synchronization

The proposed rules to extend documentation and maintenance of business clock synchronization procedures, in addition to extending the requirement to log synchronization

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547 The error rates for OATS, outside of the initial 1999 implementation, were lower than five percent. See CAT NMS Plan, supra note 3, at Appendix C Section 3(b).

times, to Participants would result in some costs to the Participants. These costs would include one-time costs to develop the documentation and procedures for maintenance. They would also include costs to update and maintain clock synchronization technology, and the annual cost to log their synchronization efforts. The one-time cost of developing policies and procedures related to clock synchronization would be $123,200 per entity.[548] The annual cost per entity to maintain clock synchronization and the policies and procedures pertinent to synchronization would be $74,100.[549] The costs may not be uniform across the Participants, particularly if they already have synchronization policies, procedures, logging practices, and up-to-date synchronization technology in place, in which case the costs would be substantially smaller.[550]

b. Funding

The costs to operate CAT currently stand at approximately $147 million per year.[551] Pursuant to the proposal, the Commission anticipates seeking to use its appropriated funds to pay its costs relating to use, operation, and maintenance of the CAT system. Because the Commission expects CAT reporting and functionality to continue in substantially the same manner as it does today, the change in funding mechanism is not expected to materially affect

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548 The $123,200 one-time estimate is based on the following calculations: $491 = 25% General and Operations Manager ($656 per hour x 0.25 = $164) + 75% Computer Programmer ($436 per hour x 0.75 = $327). $25,000 per entity external costs + ($491 per hour x 200 hours) = $123,200 per entity. Occupational rates are calculated as described in infra PRA Table 2 note 4. For additional details on estimates of burden hours and occupations involved, see infra Part VI.

549 The $74,100 recurring estimate is based on the following calculations: $491 = 25% General and Operations Manager ($656 per hour x 0.25 = $164) + 75% Computer Programmer ($436 per hour x 0.75 = $327). $25,000 per entity external costs + ($491 per hour x 100 hours) = $74,100 per entity. Occupational rates are calculated as described in infra PRA Table 2 note 4. For additional details on estimates of burden hours and occupations involved, see infra Part VI.

550 See supra Part V.B.1.c for a discussion of clock synchronization requirements.

551 See supra note 455.

the resources required to operate the CAT. Instead, it would primarily change who initially bears those costs and the mechanism through which they are recovered.

Under the 2026 Funding Model, CAT costs are funded through fees assessed on Participants and on executing broker-dealers representing buyers and sellers. Under the Proposal, appropriated funds would be used to pay the Commission's costs relating to use, operation, and maintenance of the CAT system. As explained further above, appropriated funds are offset by Section 31 fees collected from national securities exchanges and national securities associations.[552] If Congress appropriated more money to the Commission than it would have without funding for the CAT, Section 31 fees would be higher than they otherwise would have been if funds were not appropriated to cover the costs of the CAT, while CAT fees under the 2026 Funding Model would no longer be assessed. The resulting effects on the distribution of CAT costs among Participants, broker-dealers, and investors are discussed below.

Separate from this redistribution of costs, the change in funding mechanism could create costs associated with uncertainty in the appropriations process, which could be disruptive to the funding of the CAT.[553] To the extent that appropriated funds are insufficient to cover the full cost of the CAT, CAT costs may compete with other Commission programs and priorities for appropriated funds.

Additionally, the change in funding mechanism could also create costs in the form of a potential for new funding-related disputes because it is possible that the new method of funding and governing the CAT would present new sources of disagreement among affected parties. To

552 See supra Part II.C.5.

553 See supra Part II.C.5 at notes 123, 124, and 131 and surrounding text that describes that under Section 31(k) of the Exchange Act, the Commission can continue to collect Section 31 fees in the event of an appropriation lapse. See Part II.C.5. at note 130 and surrounding text that describes that the Commission has been able, in the past, to ensure the continued operation of certain other systems, e.g., EDGAR, during an appropriation lapse.

the extent this happens, the Commission may become subject to litigation over the new CAT funding and governance.

Section 31 fees are imposed on covered SROs, but there is no prohibition against directly passing through these costs to their members, which they typically do.[554] Compared to the 2026 Funding Model, this may result in broker-dealers bearing more of the costs of the CAT because the Participants may not be able to or decide not to recoup the CAT fees fully from their members under the 2026 Funding Model.

As described in Part V.C.2.b, if a national securities exchange or national securities association passes its costs from the Section 31 fees onto its members, the members may either pass through those costs directly to the investors who are selling or recoup the costs indirectly from investors (e.g., by providing less price improvement or higher transaction costs, or they bear the fee as a cost that may reduce profits). As a result, the costs due to Section 31 fees are ultimately borne by investors or non-investor parties to a transaction (e.g., market makers who do not have clients to pass through the fees to)[555] or by members who do not pass through the fees and bear the fees as a cost that may reduce their profits.

To the extent that SROs have to pay fees to access or use the CAT beyond the Section 31 fees, the SROs could pass through those costs to their members directly or indirectly. The members in turn could pass through those fees to their customers. As a result, some portion of those fees would ultimately be borne by investors as well. Further, if the fees to access or use the CAT are proportional to usage, e.g., a per-query basis, it could disincentivize the SROs to use

554 See Part V.C.2.b for a more detailed discussion on how costs relating to Section 31 fees are passed through.

555 A market maker who pays fees as a result of a national securities exchange or national securities association passing on its costs relating to Section 31 fees, and is not able to pass through those fees to a client, may in turn attempt to recoup the costs by offering inferior prices to the marketplace, resulting in higher trading profits to the market maker and higher transaction costs to investors.

the CAT and, as a result, the surveillance of the markets could be less comprehensive; however, the SROs will still have the same obligations to comply, and enforce the compliance by its members and associated persons, with the Exchange Act, the Commission's rules and regulations thereunder, and the SROs' own rules.[556]

To the extent that SROs have to pay for fees to access or use the CAT beyond the Section 31 fees, those fees to access or use the CAT could be small, but they could also be substantial. The combination of Section 31 fees and the potential fees for access and use of the CAT could be smaller or larger than the CAT fees the Participants pay under the 2026 Funding Model. However, the resulting impact of the Proposal on investors is likely to be negligible. As discussed in Part V.B.2, to the extent that Participants are able to pass through indirectly their CAT costs, it is very likely that the CAT fees under the 2026 Funding Model are also ultimately borne by investors. The Proposal would eliminate the CAT fees from the market. However, as explained further above, pursuant to the Proposal, the Commission would use appropriated funds to support the CAT and the appropriated funds are offset by Section 31 fees,[557] and under the Proposal, the SROs may have to pay fees for their access and use of the CAT. As discussed in this section, it is likely that both the SROs' costs due to the Section 31 fees and potential fees for access to and use of the CAT data would ultimately be borne by investors. As a result, the change in the costs relative to the baseline is likely to be negligible because under the 2026 Funding Model and under the proposal, the costs of the CAT would be ultimately borne by investors.

556 See supra Part II.C.5, in particular notes 133 and 134 and surrounding text.

557 See supra Part II.C.5.

While under both funding models the costs of CAT are likely ultimately borne by investors, how much of the costs of the CAT specific investors bear may differ, because the manner in which Section 31 fees and current CAT fees are assessed differs. For example, Section 31 fees are based on the dollar value of a transaction whereas the current CAT fees are share-based. As a result, when comparing a transaction of a given dollar value in a high-price stock with a transaction of equal dollar value in a low-price stock, the transaction in the high-price stock would result in the same amount of Section 31 fees for both transactions whereas the current CAT fees would be lower for the transaction in the high-price stock compared to the transaction in the low-price stock.[558] If an investor was only trading in high-price stocks and assuming that brokers pass through directly 100% of the CAT fees and fees relating to a national securities exchange or national securities association passing on its costs due to Section 31 fees to their customers, that investor would incur more of the costs of the CAT under the Proposal compared to the 2026 Funding Model.

The Commission is unable to estimate how the distribution of the CAT costs shifts among market participants and investors when comparing the funding under the Proposal to the 2026 Funding Model, but, because of the small magnitude of the potential increase in Section 31 fees on a per transaction basis,[559] the impact of this shift on market participants and investors is likely to be small.

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558 The transaction in the high-price stock would entail fewer shares compared to the transaction of equal dollar value in the low-price stock.

559 The Commission's appropriation for fiscal year 2026 is $2.149 billion. Consolidated Appropriations Act, 2026, Pub. L. No. 119-75, 140 Stat. 173 (2026). The CAT budget is $147 million for 2026. The fiscal year 2026 annual adjustment to the Section 31 fee rate is based on the Commission's appropriations for 2026, see Order Making Fiscal Year 2026 Annual Adjustments to Transaction Fee Rates (February 27, 2026), available at https://www.sec.gov/files/rules/other/2026/34-104909.pdf, note 10. The fee rate was calculated off of an expected $104.121 trillion covered sales for fiscal year 2026 and was set at $20.60 per million, see page 3 of the order. This translates to a Section 31 fee of $0.0000206 per dollar of a covered sale. For illustrative purposes, if we were to assume that the Commission's appropriations for fiscal year 2026

c. Governance

The Proposal could create costs associated with contracting, Participant input, and the initial transition of governance. Due to the nature of the CAT's operations, there are risks associated with procurement requirements and Designee turnover, although these risks could diminish over time. Replacing Participant governance could reduce Participants' direct input and recourse, potentially imposing additional costs; the Commission, however, expects these effects to be limited. The transition itself would entail one-time costs that are not likely to be large.

i. Designee Contracting

Federal procurement requirements could create potential costs and risks in maintaining the Central Repository. If the Commission elects to require reporting to a designee, the Commission would establish a contract with the Designee—whether at the beginning of the implementation of the Proposal or at a later date—through applicable federal acquisition and procurement processes, including procedures for competitive awards or justified exceptions to competition.[560]

The Commission could use a base period and option periods, subject to procurement and appropriations requirements.[561] Before expiration, the Contracting Officer would consider competition or a justified noncompetitive award, including whether other capable and interested sources exist.[562] Procurement rules, therefore, create an added risk of turnover.

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included additional appropriations in the exact amount of the CAT budget for 2026, then the portion of the Section 31 fees for fiscal year 2026 would be $1.41 per million ($147 million / $2.149 billion * $20.60) or $0.00000141 per dollar of a covered sale.

560 See supra Part II.C.4.

561 See RFO FAR Subpart 17.2; RFO FAR 17.201-1(b)–(c).

562 See RFO FAR 6.103(c)–(d).

Turnovers could increase the costs of operating the CAT for a number of reasons. Operating the Central Repository requires relationship-specific, non-redeployable investments, including CAT-specific systems, security infrastructure, processes, and institutional knowledge.[563] If there is turnover, a successor might not be able to immediately replicate those assets and capabilities, leading to a need for reconfiguration, testing, knowledge transfer, and re-learning, potentially disrupting CAT operations and regulatory access.

In addition, some aspects of a service like the CAT Central Repository are likely to be delivered only in the context of an ongoing relationship, because they are too nuanced for a firm to deliver on short notice or without significant experience working with a particular customer together with an expectation of future business.[564] The learning and the incentives developed in such an ongoing relationship can be difficult to transfer to a new operator.[565] Technological change could eventually reduce switching costs, making transition less disruptive.

ii. Potential Costs Associated with Participant Input

The Participants possess operational knowledge concerning CAT reporting mechanics and the surveillance uses of CAT Data. Under the current framework, that knowledge reaches CAT decision-making through the Operating Committee. The Proposal would eliminate the

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563 For a detailed discussion of firm organization and sourcing issues, see Oliver E. Williamson, Transaction-Cost Economics: The Governance of Contractual Relations, 22 J. Law & Econ. 233 (1979); Patrick Bajari & Steven Tadelis, Incentives versus Transaction Costs: A Theory of Procurement Contracts, 32 RAND J. Econ. 387 (2001).

564 Many organizational capabilities, especially the complex ones, often rely on 'relational contracts,' (i.e., arrangements sustained by the shared expectation of long-term relationships). See Robert Gibbons & Rebecca Henderson, Relational Contracts and Organizational Capabilities, 23 Org. Science 1350 (2012) (calling relational contracts "informal agreements sustained by the shadow of the future"). See also supra Part V.B.3.b.iii.

565 Relational governance might not be readily transferred across firm boundaries. The stickiness of tacit, embedded knowledge, are possible impediments to transferring operational capabilities. See George Baker, Robert Gibbons, & Kevin J. Murphy, Relational Contracts and the Theory of the Firm, 117 Q.J. Econ. 39, 41–43 (2002); see also Bruce Kogut & Udo Zander, Knowledge of the Firm, Combinative Capabilities, and the Replication of Technology, 3 Org. Sci. 383, 384–87 (1992).

Operating Committee's Participant-based decision-making role, while existing advisory mechanisms could be retained, modified, or reconstituted to provide the Commission or the Designee the ability to preserve stakeholder input.[566] If channels comparable to the current Operating Committee, technical working groups, and other mechanisms for industry input are not established, the Commission or the Designee could have less information when developing technical specifications, system functionality, and operational requirements. In addition, if a federal advisory committee is used, applicable transparency requirements could limit discussion of sensitive operational or security matters.[567] Together, these potential constraints could increase implementation burdens for CAT Reporters or reduce the CAT's usefulness to regulatory users.

The Commission anticipates substantially preserving current requirements for validation, processing, linkage, storage, regulatory query tools, and help-desk support.[568] Under the Proposal, however, Participants experiencing performance or access problems would raise them through Commission or Designee procedures rather than through their current governance role or contractual relationship. If those procedures provide less direct input or recourse, problems affecting CAT access, data quality, or system performance could take longer to prioritize or resolve, potentially affecting regulatory activities that rely on CAT Data.

These effects are likely to be limited. The Commission would have an independent interest in maintaining the effective operation of the Central Repository and ensuring that the SROs are able to regulate effectively, and could enforce the Designee contract.

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566 See supra Parts II.C.6 and V.B.3.a.i.

567 See supra Part II.C.6.

568 See supra Part II.C.4.

iii. One-Time Governance Transition Costs

On the Participant side, the transition would entail one-time legal, administrative, technical, and coordination costs associated with transferring the assets needed to continue operating the CAT.[569] The Commission also anticipates that the Participants would choose to wind down the CAT NMS Plan and CAT LLC as a consequence of this Proposal, and that they would incur similar costs in undertaking this wind down. Because these costs would be non-recurring and many existing CAT assets and arrangements could be reused, the Commission preliminarily expects them not to be large, although their magnitude is uncertain.[570]

On the Commission side, establishing CAT reporting under the Proposal would entail one-time administrative, contracting, staffing, and security-related costs.[571] Because many existing CAT assets, systems, contracts, and institutional knowledge could be transferred or reused, and because these costs would be non-recurring, the Commission preliminarily expects them also not to be large, although their exact magnitude would depend on the operating model selected.[572]

Over the course of CAT operations, the Operating Committee has developed specialized expertise in overseeing and managing the Plan Processor. Transitioning these responsibilities to the Commission could introduce costs, as Commission staff would initially lack this direct

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569 These could include systems, data, records, contracts, institutional knowledge, software, products, tools, methodologies, processes, programs, services, information, materials, intellectual property, and historical CAT Data. Existing contracts could need to be transferred, terminated, or reestablished, and outstanding liabilities and other CAT LLC matters might need to be resolved before dissolution. See supra Part II.C.4.

570 See supra Part II.C.4.

571 Depending on whether the Commission requires reporting to the Commission directly or to the Designee, these costs could include procuring or hiring the Designee; negotiating and executing a contract; assigning staff responsibilities; establishing funding and performance procedures; transferring systems and data; completing security review or authorization; and obtaining legal and technical support. See supra Part II.C.4.

572 See supra Part II.C.4.

operational familiarity. However, this is likely to be temporary, as Commission staff will over time acquire the expertise necessary to manage the Central Repository under the new structure. However, due to differences in inherent institutional knowledge between the Commission and the Participants, the expertise developed by Commission staff might not be the same as that of the Operating Committee. The Participants are themselves reporting entities and have business interests in the markets CAT covers. Their experience may provide insights distinct from those acquired by the Commission, which occupies a fundamentally different institutional role from the Participants.

d. Security

The Proposal would require the SROs and broker-dealers to report information to the Commission or its Designee. As such, federal information security standards would apply to the Central Repository. The Commission acknowledges that contractors participating in this process can incur significant costs both in the audit process and in the remediation of deficits identified during the review process, particularly for newly developed systems or systems that have not previously engaged in substantial security review audits. The Commission may bear additional costs related to security, such as costs associated with Inspector General audits, systems of records notices, and administrative and other functions previously performed by the Operating Committee. As with other Commission costs relating to the use, operation, and maintenance of the CAT system, they would be funded through the SEC's appropriated budget as discussed previously.[573]

4. Aggregate Monetized Benefits and Costs

573 Ibid.

Throughout this economic analysis, we have estimated monetized benefits and costs per affected entity. In this section, we present aggregate measures of these monetized effects across entities and time. These aggregates include only benefits and costs that are monetized in the economic analysis and thus do not encompass all of the Proposal's benefits and costs. For example, these costs do not include any access or usage fees for CAT that may be imposed on SROs.[574]

a. Aggregate Monetized Benefits and Costs Across Affected Entities

Tables 2 and 3 report the benefits and costs, respectively, that are monetized in this economic analysis, aggregated across all affected entities. To aggregate these monetized effects, we use estimates of the number of affected parties in the baseline and burdens under the Paperwork Reduction Act in Part VI.[575] We also use the current CAT budget.[576]

Because the proposed amendments would remove reporting requirements under Rule 613 and immediately replace them with substantially similar reporting requirements under proposed Rule 17a-26, the aggregate monetized benefits and costs, though large, are roughly equal. We estimate that the total aggregate initial monetized benefit (cost savings) is $0 and the total aggregate annual monetized benefit (cost savings) is $2,369,719,019. There are no initial (i.e., one-time) benefits (cost savings) from the rescission of Rule 613.[577] We estimate the total

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574 See supra Part V.C.3.b. for a discussion of the CAT access fees that may be imposed on SROs due to the Proposal.

575 For the estimates of the burdens, see infra Part VI.B. and Part VI.C. For the estimates of the number of affected parties, see supra Part V.B.5.

576 See Consolidated Audit Trail, LLC 2026 Financial and Operating Budget, available at https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf.

577 See infra Part VI.C.1

aggregate initial monetized cost to be $132,376,480 and the total aggregate annual monetized cost to be $2,459,580,719.

Table 2: Aggregate Monetized Benefits (Cost Savings)
(2026 Dollars)

Requirement	Initial Benefit Per Affected Entity (A)	Annual Benefit Per Affected Entity (B)	Estimated Number of Affected Entities (C)	Aggregate Initial Benefit (D) (A) x (C)	Aggregate Annual Benefit (E) (B) x (C)
Data Collection and Reporting (Broker-Dealers)	$0	$1,888,925[a]	1,075[b]	$0	$2,030,594,375
Data Collection and Reporting (Participants)	$0	$1,136,975[c]	29[d]	$0	$32,972,275
Clock Synchronization (Broker-Dealers)	$0	$74,100[e]	1,075[f]	$0	$79,657,500
Financial and Operating Costs of the CAT (CAT LLC)	$0	$147,044,869[g]	1[h]	$0	$147,044,869[i]
CAT Reporting Agent agreement (Broker-Dealers)	$0	$79,450[j]	1000[k]	$0	$79,450,000
Total				$0	$2,369,719,019[l]

Notes:

[a] This is the sum of annual external and internal costs of data collection and reporting for each broker-dealer. That sum is equal to $182,700 + ($491 x 3,475) = $1,888,925 per broker-dealer annually. See infra Part VI.B.2. and Part VI.C.2. These savings assume that CAT Compliance Rules would be rescinded.

[b] There are currently 1,075 broker-dealers. See infra Part VI.C.2.

[c] This is the sum of annual external and internal costs of data collection and reporting by the Participants. That sum is equal to $476,580 + ($491 x 1,345) = $1,136,975 per Participant annually. See infra Part VI.B.2. and Part VI.C.2. These savings assume that the CAT NMS Plan will be dissolved if the Proposal is adopted.

[d] There are currently 29 Participants. See supra note 4. The number of Participants is distinct from the number of SROs, which is 30, due to Green Impact Exchange, LLC, being an SRO, but not a Participant. See supra note 513.

[e] This is the sum of annual external and internal costs of clock synchronization and documentation for broker-dealers. That sum is equal to $25,000 + ($491 x 100) = $74,100 per broker-dealer annually. See infra Part VI.B.2. and Part VI.C.2. These savings assume that CAT Compliance Rules would be rescinded.

[f] See supra note d.

[g] This is the current CAT financial and operating budget. See Consolidated Audit Trail, LLC 2026 Financial and Operating Budget, available at https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf. These costs include costs for written assessments of operations of the CAT, background checks, and financial statements. Accordingly, although the PRA provides estimates for each of these requirements, to avoid

double-counting, we do not separately account for those costs here, see infra Part VI.C.1. These savings assume that CAT LLC would no longer exist due to the sale of its assets.

[h] A single entity, the manager of the Plan Processor, directly bears the costs of the CAT.

[i] See supra note g.

[j] This is the sum of annual external and internal costs of a broker-dealer using a CAT Reporting Agent to fulfill their reporting obligations under the CAT NMS Plan. That sum is equal to $5,000 + ($744.5 x 100) = $79,450 per broker-dealer annually. See infra Part VI.B.2. and Part VI.C.2.

[k] This is the number of broker-dealers that use a CAT Reporting Agent to fulfill their reporting obligations under the CAT NMS Plan. See infra Part VI.B.2.

[l] This estimate of cost savings does not include the burdens associated with the surveillance requirement under Rule 613(f), which are described in Part VI.B and VI.C., because we expect exchanges to expend a comparable amount on surveillance using the CAT even if Rule 613 is rescinded. Because older systems that once provided similar functionality to the CAT were decommissioned after the CAT implementation, we anticipate most exchanges will continue to use the CAT to meet their existing surveillance obligations. See 15 U.S.C. 78f(b)(1); see also supra notes 38 and 39 (describing letters from Participants discussing the need for access to CAT to meet surveillance requirements). To the extent that the Participants develop their own surveillance systems, the costs related to surveillance could be lower, which would produce cost-savings for surveillance relative to the baseline. The Commission's approach here of assuming comparable costs to the existing surveillance costs thus presents a conservative approach of the estimated cost savings due to the Proposal.

Table 3: Aggregate Monetized Costs
(2026 Dollars)

Requirement	Initial Cost Per Affected Entity (A)	Annual Cost Per Affected Entity (B)	Estimated Number of Affected Entities (C)	Aggregate Initial Cost (D) (A) x (C)	Aggregate Annual Cost (E) (B) x (C)
Data Collection and Reporting (Broker-Dealers)	$0[a]	$1,888,925[b]	1,075[c]	$0	$2,030,594,375
Data Collection and Reporting (Participants)	$0[d]	$1,136,975[e]	29[f]	$0	$32,972,275
Clock Synchronization (Broker-Dealers)	$0[g]	$74,100[h]	1,075[i]	$0	$79,657,500
Clock Synchronization (Participants)	$123,200[j]	$74,100[k]	29[l]	$3,572,800	$2,148,900
Error correction policies and procedures (Participants and Broker-Dealers)	$116,670[m]	$79,450[n]	1,104[o]	$128,803,680	$87,712,800

Estimated total operating costs of the CAT Central Repository (SEC)	$0[p]	$147,044,869[q]	1[r]	$0	$147,044,869[s]
CAT Reporting Agent agreement (Broker-Dealers)	$0	$79,450[t]	1000[u]	$0	$79,450,000
Total				$132,376,480	$2,459,580,719

Notes:

[a] Data collection and reporting by broker-dealers are obligations through SRO rules adopted in accordance with the CAT NMS Plan. Therefore, there is no fixed cost to implement this requirement. See infra Part VI.B.1.ii.

[b] This is the sum of annual external and internal costs of data collection and reporting for each broker-dealer. That sum is equal to $182,700 + ($491 x 3,475) = $1,888,925 per broker-dealer annually. See infra Part VI.B.2. and Part VI.C.2. Under the Proposal, broker-dealers would continue to engage in data collection. See supra Part IV.I.

[c] There are currently 1,075 broker-dealers. See infra Part VI.C.2.

[d] See supra note a.

[e] This is the sum of annual external and internal costs of data collection and reporting by the Participants. That sum is equal to $476,580 + ($491 x 1,345) = $1,136,975 per Participant annually. See infra Part VI.B.2. and Part V.C.2. Under the Proposal, the Participants would continue to engage in data collection. See supra Part IV.H.

[f] There are currently 29 Participants. See supra note 4. The number of Participants is distinct from the number of SROs, which is 30, due to Green Impact Exchange, LLC, being an SRO, but not a Participant. See supra note 513.

[g] Under the CAT NMS Plan, SRO CAT Compliance Rules establish clock synchronization requirements for members. See supra Part V.B.1.c. Therefore, there are no fixed costs to implement this requirement.

[h] This is the sum of annual external and internal costs of clock synchronization and documentation for broker-dealers. That sum is equal to $25,000 + ($491 x 100) = $74,100 per broker-dealer annually. See infra Part VI.B.2. and VI.C.2. Under the Proposal, broker-dealers would continue to engage in clock synchronization and documentation. See supra Part IV.C.

[i] See supra note c.

[j] This is the sum of initial external and internal costs of clock synchronization and documentation for the Participants. That sum is equal to $25,000 + ($491 x 200) = $123,200 per Participant. See infra Part VI.B.2. and Part VI.C.2. Under the Proposal, the Participants would engage in clock synchronization and documentation. See supra Part IV.C.

[k] This is the sum of annual external and internal costs of clock synchronization and documentation for the Participants. That sum is equal to $25,000 + ($491 x 100) = $74,100 per Participant annually. See infra Part VI.B.2. and Part VI.C.2.

[l] See supra note f.

[m] This is the sum of initial internal and external costs for each entity to develop error correction policies and procedures. That sum is equal to $4,995 + ($744.50 x 150) = $116,670 per CAT Reporter. See infra Part VI.B.2. and Part VI.C.2. Under the Proposal, a CAT Reporter would have established written policies and procedures reasonably designed to ensure the timeliness, accuracy, integrity, and completeness of data sent to the Central Repository. See supra Part IV.J.

[n] This is the sum of annual internal and external costs for each entity to maintain policies and procedures related to error correction policies and procedures. That sum is equal to $5,000 + ($744.50 x 100) = $79,450 per CAT Reporter. See infra Part VI.B.2. and Part VI.C.2.

[o] This is the total number of Participants and broker-dealers. There are 1,075 broker-dealers and 29 Participants. See supra notes c and f. Therefore, the total number of entities that, as a consequence of the Proposal, would craft error correction policies and procedures is 1,075+29 = 1,104.

[p] There are no fixed costs to implement the CAT, since it already exists.
[q] See infra note s.
[r] See infra note s. As noted below, we believe that the SEC will bear these costs initially but they will ultimately be passed through to executing brokers.
[s] The estimate of costs to the SEC for operating the CAT under Proposed Rule 17a-26 is based on the current CAT financial and operating budget, as we do not expect the operating costs to change significantly under the proposed structure. See Consolidated Audit Trail, LLC 2026 Financial and Operating Budget, available at https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf. As described above, appropriated funds would be used to support CAT and appropriated funds are offset by Section 31 fees collected from each national securities exchange and national securities association. See supra Part V.C.3.b.
[t] This is the sum of annual external and internal costs of a broker-dealer using a CAT Reporting Agent to fulfill their reporting obligations under proposed Rule 17a-26. That sum is equal to $5,000 + ($744.50 x 100) = $79,450 per broker-dealer annually. See infra Part VI.B.2. and Part VI.C.2.
[u] This is the number of broker-dealers that use a CAT Reporting Agent to fulfill their reporting obligations under proposed Rule 17a-26. See infra Part VI.B.2.

b. Present Values and Annualized Values of Aggregate Monetized Benefits and Costs

Consistent with the requirements of Executive Order 12866, the Commission reports estimated total monetized benefits and costs for all affected entities in two additional ways specified in OMB Circular A-4.[578] The two presentations are intended to address the fact that the various benefits and costs of the proposed rule would not accrue at the same point in time; rather, benefits and costs that accrue sooner are generally more valuable than those that occur later in time.[579]

We report (1) the present values of expected benefits and costs that are monetized in our Economic Analysis, aggregated across all affected entities, over a 10-year time horizon, starting in 2026, as well as (2) the annualized values over the same time horizon that are derived from the present values. This time horizon represents the period over which the principal benefits and

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578 See E.O. 12866 (Sept. 30, 1993), 58 FR 51735, 51741 (Oct. 4, 1993) (requiring agencies to provide an analysis of benefits, costs, and regulatory alternatives to OIRA for significant regulatory actions); OMB, CIRCULAR A-4, at 31-34, 45 (Sept. 17, 2003) (providing guidance to agencies regarding compliance with E.O. 12866); see also E.O. 14215 (Feb. 18, 2025), 90 FR 10447, 10448 (Feb. 24, 2025) (requiring all Federal agencies, including the Securities and Exchange Commission, to comply with E.O. 12866). In addition, E.O. 14192 requires agencies to provide their best approximation of the total costs or savings associated with each new regulation or repealed regulation consistent with the analyses required by E.O. 12866. See E.O. 14192 (Jan. 31, 2025), 90 FR 9065, 9066 (Feb. 6, 2025).

579 See CIRCULAR A-4, at 32.

costs that are monetized in the Economic Analysis are expected to accrue.[580] The present values and annualized values account for the timing of benefits and costs through discounting, which is a procedure that accounts for the time value of money.[581]

Table 4 reports the present values of the aggregate monetized benefits and costs from Tables 2 and 3, combining initial and annual monetized benefits and costs. The analysis uses annual real discount rates of 3 percent and 7 percent over a 10-year time horizon, starting in 2026.[582] We estimate that the present value of total monetized benefits is $20,515,156,046 using a 3 percent discount rate and $17,216,599,298 using a 7 percent discount rate. We estimate that the present value of total monetized costs is $21,425,484,166 using a 3 percent discount rate and $18,001,843,426 using a 7 percent discount rate.

Table 4: Present Value of Monetized Benefits and Costs over 10 years from 2026 to 2035 (2026 dollars)[a]

Estimated Effects	3% Real Discount Rate	7% Real Discount Rate
Benefits	$20,515,156,046	$17,216,599,298
Costs	$21,425,484,166	$18,001,843,426

580 See id. at 31 (stating that "[t]he ending point should be far enough in the future to encompass all the significant benefits and costs likely to result from the rule"). For the purposes of this analysis, we assume the effective date of the rule, as well as the start year for the analysis's time horizon, is the present year. The analysis uses calendar years and accounts for the compliance periods included in the release (see note a in Table 4).

581 See id. at 32 ("The Rationale for Discounting") & 45 ("Treatment of Benefits and Costs over Time"); see also OIRA, REGULATORY IMPACT ANALYSIS: A PRIMER, at 11 (Aug. 15, 2011), available at https://www.reginfo.gov/public/jsp/Utilities/circular-a-4_regulatory-impact-analysis-a-primer.pdf ("To provide an accurate assessment of benefits and costs that occur at different points in time or over different time horizons, an agency should use discounting. Agencies should provide benefit and cost estimates using both 3 percent and 7 percent annual discount rates expressed as a present value as well as annualized."); HARVEY S. ROSEN & TED GAYER, PUBLIC FINANCE 151 (8th ed. 2008) (defining present value as "the value today of a given amount of money to be paid or received in the future").

582 This approach is consistent with OMB Circular A-4. See CIRCULAR A-4, at 31-34 (stating that, "[f]or regulatory analysis, [agencies] should provide estimates of net benefits using both 3 percent and 7 percent" discount rates and discussing why those rates are reasonable default rates). Also, we use a mid-year discount factor. See OMB, CIRCULAR A-94, at 21-22 (Oct. 19, 1992) (stating that, "When costs and benefits occur in a steady stream, applying mid-year discount factors is more appropriate.").

Notes:
[a] For each discount rate, the present value calculations are based on these assumptions: (i) all one-time monetized costs are incurred immediately and not discounted; (ii) all one-time monetized benefits accrue in 2026; and (iii) recurring annual monetized benefits and costs begin to accrue in 2026. In (ii) and (iii), we assume that monetized benefits and costs occur in a steady stream, and we use a mid-year discount factor.

Table 5 reports annualized aggregate monetized benefits and costs using real discount rates of 3 percent and 7 percent over a 10-year horizon.[583] The lump sum present values of aggregate monetized benefits and costs reported in Table 4 are converted in Table 5 into a constant stream of annualized benefits and costs over a 10-year time horizon, starting in 2026.[584] Annualized benefits and costs may differ from an aggregation of the recurring monetized annual benefits and costs discussed earlier in the Economic Analysis because they incorporate the timing of benefits and costs, through discounting, and combine one-time and recurring benefits and costs.[585] We estimate that annualized total monetized benefits are $2,369,719,019 per year using a 3 percent discount rate and $2,369,719,019 per year using a 7 percent discount rate. We estimate that annualized total monetized costs are $2,474,871,612 per year using a 3 percent discount rate and $2,477,801,220 per year using a 7 percent discount rate. Because the annualized benefits and costs are discounted and include both initial and annual benefits and costs, they should not be compared directly to the aggregate annual monetized benefits and costs in Tables 2 and 3.

Table 5: Annualized Aggregate Monetized Benefits and Costs over 10 years from 2026 to 2035 (2026 Dollars)

Estimated Effects[a]	3% real discount rate	7% real discount rate

583 This approach is consistent with the recommended treatment of benefits and costs over time in Circular A-4. See CIRCULAR A-4 at 45 ("You should present annualized benefits and costs using real discount rates of 3 and 7 percent").

584 For each discount rate, the annualized monetized benefits (costs, respectively) in Table 5 represent the constant annual stream of benefits (costs, respectively) whose present value over the time horizon equates the corresponding present value in Table 4. See note a, Table 4 for additional calculation details.

585 The annualized benefits and costs present these values over the 10-year time horizon, starting in the present year.

Benefits	$2,369,719,019	$2,369,719,019
Costs	$2,474,871,612	$2,477,801,220

Notes:

[a] For each discount rate, the annualized values are calculated by dividing the corresponding present values in Table 4 by the sum of discount factors over the time horizon. The discount factor in year *t* of the time horizon is equal to $1/(1 + discount\ rate)^{(t-0.5)}$.

D. Impact on Efficiency, Competition, and Capital Formation

1. Efficiency

The Proposal is not expected initially to change CAT's core operations or reporting obligations; effects on allocative and market efficiency would depend on funding, retention, and data-quality changes. There are potential efficiency gains from streamlining decision making in governance, funding, and maintenance of the CAT.

a. Governance

The Proposal's efficiency gains in CAT governance could stem from replacing Participant-based voting and negotiation with centralized Commission administration, potentially streamlining some operational decisions and reducing associated procedural delays. This structure could also improve the CAT's ability to adapt dynamically to rapid market developments, particularly regarding routine system maintenance, functionality, and technical updates. Although the Proposal would initially preserve the CAT's core operations, governance under the Proposal could, over time, produce priorities and investment decisions different from those under the current Participant-governed structure as regulatory needs and technologies develop.

Under the Proposal, the Commission intends that the CAT's core operational functions would initially remain substantially unchanged. These include maintaining the technology; processing, linking, and storing CAT Data; maintaining technical specifications; administering security and access controls; the query tools available to regulatory users; reports and written

assessments provided by the Plan Processor; and the maintenance of a help desk.[586] These functions would continue to be performed by the operator of the central repository, but under the Commission's direction, rather than under the direction of the Participant-based Operating Committee.[587]

Other functions would change more substantially.[588] Proposed Rule 17a-26 would establish reporting obligations, while the Commission would direct the repository's operation and the process for developing and updating technical specifications.[589] Interpretation and implementation decisions would be addressed through the proposed rule and Commission direction.[590] The Commission is also considering advisory committees and working groups to obtain SRO, Industry Member, and other stakeholder input on CAT operations.[591]

Because of these changes, the decision-making process would change structurally. The current Participant voting thresholds, recusals, negotiations, and concentrated influence of affiliated Participant blocs would no longer govern CAT decisions under the proposed centralized structure.[592] Decisions currently requiring a majority, two-thirds supermajority, or unanimity would instead be handled through applicable Commission rulemaking, orders,

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586 See supra Part II.C.4; CAT NMS Plan Approval Order, supra note 17, 81 FR 84705–06.

587 See supra Parts II.C.2, II.C.4. The Commission would establish CAT reporting requirements through proposed Rule 17a-26, while performance requirements would be addressed by the Commission and, as applicable, included in any contract with the Designee.

588 For discussions on funding, see supra Parts II.C.5 and V.C.2.b.

589 See supra Parts II.C.2 and II.C.4; CAT NMS Plan Approval Order, supra note 17, 81 FR 84701, 84705–06; 2026 Funding Model Order, supra note 60, 91 FR 13455–56.

590 See supra Parts II.C.2, II.C.4.

591 The Proposal specifically requests comment on which existing Operating Committee working groups and subcommittees should be reconstituted, as well as their functions, membership, and costs; their future structure and procedures therefore remain open. See supra Parts II.C.2, II.C.4, and II.C.6; see also supra Parts V.B.3.a.i and V.C.3.c.ii.

592 See supra Part V.B.3.a.i; 81 FR 84700–03.

procurement, contracting, staff administration, or other delegated processes. Importantly, many operational, maintenance, and technical issues that currently require multi-party negotiations, subcommittee reviews, and formal Operating Committee votes could be resolved directly by the Commission. This could reduce delays and procedural friction.

The Proposal could also affect dynamic efficiency by changing how readily the CAT can adapt over time. Governance under the Proposal could allow the Commission to respond more directly to new trading practices, products, or regulatory needs that require changes to CAT data, functionality, or regulatory-access tools.[593] New trading practices, products, or surveillance needs might require changes to the data collected or the tools regulators use to access it. Under the current structure, such changes may require Operating Committee action; under the Proposal, the Commission and its operational staff could implement many of these changes directly or direct the operator of the Central Repository to implement them, potentially allowing the CAT to adapt more quickly to market developments, changes in market structure, or new regulatory needs.

Over time, governance could also affect how the CAT's capabilities and quality develop. The current governance structure leaves some quality-related decisions open because not every aspect of data usability, delivery-system functionality, or future regulatory coverage can be fully specified and enforced in advance.[594] Under the Proposal, the Commission would make those residual decisions. The Proposal could therefore lead to priorities and investment decisions

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593 See supra Part V.B.3.a.ii.

594 See supra Part V.B.3.b.iii for a detailed discussion; see also Sanford J. Grossman & Oliver D. Hart, The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Integration, 94 J. Pol. Econ. 691 (1986); Oliver Hart & John Moore, Property Rights and the Nature of the Firm, 98 J. Pol. Econ. 1119 (1990).

different from those under the current Participant-governed structure as future regulatory needs and technology develop, although the precise effects may not be determined in advance.

b. Other Impacts on Efficiency

The change in funding mechanism might improve allocative efficiency by better matching regulatory trading fees to dollar volume traded. Under the 2026 Funding Model, CAT fees are assessed per executed equivalent share and therefore represent a larger fraction of the value traded in lower-priced securities than in higher-priced securities. Section 31 fees, by contrast, are assessed on the dollar value of covered sales and thus represent the same fraction of transaction value regardless of share price. To the extent the share-based assessment disproportionately increases trading costs and reduces liquidity in lower-priced securities, supporting CAT with appropriated funds that are offset by Section 31 fees could reduce this effect and lessen distortions in the allocation of capital across securities. Because both CAT fees and Section 31 fees are small relative to the value of the transactions on which they are assessed, including for lower-priced securities, any such effect is likely to be small.

2. Competition

The Proposal's reporting requirements are not expected to have a meaningful impact on competition in either the market for trading services or the market for broker-dealer services. The competitive effects of any SRO access or usage fees would depend on their design and magnitude.

In the market for trading services, national securities exchanges, ATSs, and off-exchange market centers compete for order flow.[595] Under proposed Rule 17a-26, the regulatory data

595 See 2026 Funding Model Order, supra note 44, at 13477–13478. There are currently 29 National Securities Exchanges in NMS Securities and more than 40 ATSs in NMS and over-the-counter equities.

reporting obligations, reporting timelines, and technical formats for Participants and Industry Members would remain substantially identical to those under the baseline.[596] The Proposal, therefore, would not impose asymmetric operational burdens, alter technological barriers to entry, or affect the relative competitive positions of trading venues. Moreover, while the Proposal would shift the source of CAT funding,[597] the net fee adjustments across venues and market participants would be *de minimis*.[598] Order routing decisions, exchange pricing schedules, or the competitive balance across trading venues, therefore, are unlikely to be significantly altered by the Proposal.

In the market for broker-dealer services, broker-dealers compete on execution quality, commission rates, and client services.[599] Because proposed Rule 17a-26 preserves the existing CAT reporting specifications and timelines,[600] broker-dealers would still incur those operational burdens or technology costs and it would not alter the competitive landscape. Proposed Rule 17a-26 would require broker-dealers who are CAT Reporters to develop and maintain policies and procedures, which would result in one-time and ongoing costs.[601] The costs to develop such policies and procedures would likely be fixed, and to the extent that the resulting increase in fixed costs is significant, they would increase barriers to entry, thereby reducing competition. However, because the size of the costs associated with such policies and procedures is likely to

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596 See supra Parts II.C.2 and IV. See also supra Part V.C.1.

597 See supra Part V.C.2.b for a description of how Section 31 fees are collected.

598 See supra Parts II.C.5, V.C.2.b, and V.C.3.b. See also 2026 Funding Model Order, supra note 60, at 13469, Table 9.

599 See 2026 Funding Model Order, supra note 60, at 13478.

600 See supra Parts IV.C, IV.D, IV.F, IV.J, V.B.1.c, and V.C.1.

601 See supra Part V.C.3.a.i.

be small relative to current total fixed costs to become a broker-dealer, this impact is likely to be small.

Additionally, the net change in regulatory fee liability per transaction is economically *de minimis* relative to trade values,[602] and therefore, the fee adjustments are unlikely to significantly affect broker-dealer pricing, bid-ask spreads, or commission structures.

The Proposal could affect competition among broker-dealers through the change in how CAT costs are recovered,[603] and competition among SROs through changes in CAT governance, the identity of the Designee, and any fees for access to CAT Data.

Proposed Rule 17a-26(j)(2) would require CAT Reporters to maintain written policies and procedures reasonably designed to ensure the timeliness, accuracy, integrity, and completeness of reported data. Because the costs of the policies and procedures are largely fixed, they would impose a greater proportionate burden on smaller firms, to the extent that such firms do not already maintain written policies and procedures that would comply with the proposed rule. As discussed in Part V.C.3, the Commission estimates these costs would be modest on a per entity basis, and therefore believes any resulting effect on competition would also be modest.

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602 See 2026 Funding Model Order, supra note 60, at 13469, Table 9.

603 Because Section 31 fees are assessed on the dollar value of covered sales while CAT fees under the 2026 CAT Funding Model are assessed per executed equivalent share, CAT fees represent a larger fraction of the value traded in lower-priced securities than in high-priced securities. As a result, lower-priced securities are not at a disadvantage with respect to Section 31 fees. See supra Part V.C.2.b. To the extent that broker-dealers specialize in lower-priced securities, the costs under the Proposal for any costs relating to Section 31 fees that are passed through may be lower compared to the CAT fees under the 2026 CAT Funding Model and improve the competitive position of such broker-dealers compared to broker-dealers not specializing in lower-priced securities. In addition, the barrier to entry to act as a broker-dealer in lower-priced securities would be lower, which could increase competition in the broker-dealer market for lower-priced securities. However, any such effects would be small because both CAT fees under the 2026 CAT Funding Model, and fees relating to any costs passed through for any increase in Section 31 fees as a result of increases in appropriations for supporting CAT, are or would be small, and differences between the two costs would also be small.

Fees for access to or use of CAT Data could also affect competition among SROs. If imposed, such fees could affect SROs differently depending on the scale of their use of the new CAT data and the manner in which the fees are charged. Should the fees be assessed in such a way that they are not proportional to exchange volume, they would impose a fixed cost of entry into the exchange business. Such fixed costs could make further entry less likely, or increase incentives for exchanges to exit. Because the Commission does not know what such fees might be, we cannot assess the magnitude of this effect.

The Commission does not expect the reporting requirements themselves to materially affect competition among CAT Reporters because those requirements would remain substantially unchanged.

3. Capital Formation

The Proposal would have, at most, a negligible effect on capital formation. Because the data collected under the proposed Rule 17a-26 would not materially differ from those collected under the CAT NMS Plan, the Commission does not expect material effects on market surveillance or investor confidence. The change in how CAT costs are recovered could affect transaction costs and could, in principle, affect issuers' cost of capital, but the amounts involved are small on a per-transaction basis. The Commission therefore does not expect a substantive effect on capital formation.

E. Reasonable Alternatives

1. Eliminate the CAT and Rely Upon Existing Audit Trails and Related Data Sources

As an alternative to the Proposal, the Commission could simply eliminate the CAT. In its place, regulators would instead rely upon existing data sources to conduct their regulatory oversight functions or create new data sources for this purpose. Relative to the Proposal, this

alternative would significantly reduce investor protection by reducing the effectiveness of the Commission's and the SROs' regulatory oversight, and would impose new costs on market participants, but would eliminate the expenses involved in complying with the reporting requirements for the CAT, as well as the difficulties in processing the CAT records and overseeing its continued maintenance.

Relying on other data sources instead of the CAT would reduce investor protection by reducing the efficiency with which regulatory data is produced. Were the CAT eliminated, the Commission and SROs would be forced to rely on other data sources such as Electronic Blue Sheets, trade blotters, and similar mechanisms, or to recreate their own audit trails to obtain the data necessary for regulatory oversight of equity and option markets. To create order lifecycles from such sources, regulators would have to piece together data from the different sources, as no one source would be sufficient to determine an order's lifecycle completely.[604] This would be very time-consuming relative to lifecycle reconstruction under the CAT. Indeed, some lifecycles may not be possible to construct at all without CAT data.

An important factor contributing to the challenges of relying on alternative systems is the fact that, because of the availability of the CAT, legacy order audit trail systems like OATS have been retired. To have even a partial replacement for the CAT, it would be necessary for regulators to rebuild these systems.[605] Such rebuilds would entail significant expense, and take a long time to complete, leading to a larger, although temporary, gap in regulatory data should the CAT be eliminated before such systems come online.

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604 See supra Part V.B.1.b. on lifecycles.

605 See supra note 39 and surrounding text on the retirement of OATS and SRO comments on its effects.

As a consequence of the reduced regulatory efficiency from relying on alternatives to the CAT, investor protection could decrease. Violative behavior in securities markets might go undetected owing to the reduction in the quality of data available to regulators. [606] In addition, the pace of enforcement actions may slow, resulting in reduced incentives for market participants to avoid violative behavior.

Increased reliance on alternative data sources could also directly increase certain costs for the current Participants and Industry Members. Utilization of alternative sources for data would likely require the Commission and SROs to increase the number of data requests to exchanges and Industry Members to substitute for the data currently provided in advance to the CAT. Exchanges and Industry Members would be forced to respond to these requests, increasing their costs.

At the same time, this alternative would provide benefits by eliminating CAT fees and compliance costs for Participants, Industry Members, and the investors to whom they may currently pass those fees and compliance costs. In general, a reduction in fees and costs through CAT abolition would potentially increase allocative efficiency by reducing the costs to trade.

The absence of CAT reporting could produce positive effects for security, in particular data security, as there would no longer be a Central Repository of data, and thus no risk of data breaches from that central source, or to data in transit to and from that source.[607] However, to substitute for CAT data or construct successor audit trails, increased amounts of processed data would need to be produced and retained in a distributed fashion by SROs and the Commission under this alternative. Therefore, the change in security risk hinges largely on the increased

606 See supra note 40 and surrounding text on the relative efficiency of using CAT data.

607 See supra Parts V.C.2.d and V.C.3.d for a discussion of data security benefits and costs due to the Proposal.

incentive for bad actors to pursue larger targets with unified security practices, combined with the increased scale of the consequences of a single breach were one to occur. Weighing this against the risk of smaller breaches of distributed facilities and transmission networks operating under a variety of security regimes, as would be the case in this alternative, the net impact on data security is directionally uncertain and likely to be small in magnitude.

Eliminating the CAT would affect the distribution of the costs of maintaining regulatory systems across venue and broker-dealer types, which may alter the competitive landscape between and among both groups. The net effect of these costs on competition relative to the Proposal is likely to be *de minimis* due to their scale relative to the margins of competition which they affect.[608]

2. Permanently Amend Rule 613 to Establish the CAT NMS Plan's Funding Model Without Changing Its Governance

The Commission could address the instability in CAT funding described in Part V.B.2 without otherwise changing CAT governance. Under this alternative, Rule 613 and the CAT NMS Plan would remain in effect and unchanged in all other respects: the Participants would continue to administer the CAT through the Operating Committee. But, the Commission would address CAT funding permanently through a targeted amendment to Rule 613 setting the allocation of fees assessed to fund the CAT across Participants and Industry Members.[609] This approach would remove what is currently the most contentious and economically intractable source of disputes between the voting Participants on the Operating Committee and the Industry Members from the Operating Committee's purview. It would also avoid incurring costs

608 See supra Parts V.C.2.b, V.C.3.b, and V.D.2. See also 2026 Funding Model Order, supra note 60, at 13469, Table 9.

609 See supra Part V.B.2; the 2026 Funding Model sets fee allocation relative to executed equivalent share volumes of transactions in Eligible Securities.

associated with restructuring CAT governance or ownership, avoid losing the governance input of Participants on other critical issues related to the operation of the CAT through the Operating Committee, and avoid contracting and appropriations uncertainty associated with the Proposal. It would, however, sacrifice the reductions in coordination costs borne by Participants offered by the Proposal.

While the assessment of fees distributing costs necessary to fund the CAT across market participants is a significant source of disagreements in the current structure of the Operating Committee,[610] it is not the only such friction.[611] Industry Members and the SROs comprising the voting Operating Committee members are likely to have different preferences for the magnitude of regulatory oversight and monitoring of markets and the details of reporting requirements and standards, which may incentivize continued disagreements, even with the funding model resolved. The potential for such disagreement may increase coordination costs borne by Participants and the number of contested operational decisions subject to multi-party negotiation relative to the Proposal. [612]

This alternative would avoid all one-time governance transition costs associated with the Proposal.[613] It would also sacrifice the potential benefits of more direct Commission involvement in CAT governance but retain the benefits of direct Participant involvement in management of the CAT.[614] This alternative would provide the Participants with a more direct

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610 See supra Part V.B.3.b.i for an analysis of the incentives and Part V.B.3.b.ii for this friction.

611 See supra Part V.B.3.b.ii and Part V.B.3.b.iii for a discussion of non-fee frictions in CAT governance.

612 See supra Part V.B.3.b.ii on coordination costs, see also supra Part V.C.2.c on this benefit of the Proposal and supra Part V.D.1.a on the relative efficiency of Commission governance and its limits.

613 See supra Part V.C.3.c.iii for a discussion of one-time transition costs.

614 See supra Part V.C.2.c for the benefits of Commission involvement; cf. supra Part V.C.3.c.ii for the costs of losing Participant feedback and expertise.

and immediately responsive channel by which to direct maintenance and upgrades of CAT functionality consistent with their needs and informed by their existing expertise. It would retain their investment in employees specializing in the processes and operational governance of the CAT and the benefits of any additional insight arising from the Participants' role as CAT Reporters. Part of these benefits would be temporary while the Commission develops its own expertise under the Proposal. The Proposal would also permit the possibility of the Commission maintaining advisory committees made up of the current Participants and other stakeholders.[615] Thus, the Participants could have a forum to communicate any difficult-to-replicate expertise and would be incentivized to do so by their own interest in the usability of the CAT, limiting the size of these benefits relative to the Proposal.

This alternative would not necessarily change the existing distribution of CAT fee allocations under the 2026 Funding Model, resulting in a redistribution of CAT funding costs relative to the Proposal, albeit one that is sufficiently small to be unlikely to materially impact competition.[616] Barring further action by the Commission, CAT data would become more detailed in the future due to the expiration of amendments or exemptive orders affecting reporting requirements for the CAT NMS Plan under this alternative, but this would introduce uncertainty about future reporting requirements.[617] An increase in the scope of CAT data could improve investor protection and increase allocative efficiency. Since this alternative involves no changes to error handling and clock synchronization standards, it would also remove one-time and ongoing costs related to compliance with policies and procedures requirements and enhanced

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615 See supra Part II.C.6 for a description of advisory committee and working group structures.

616 See supra Part V.C.3.b for a description of the potential costs and their magnitude.

617 See supra Part V.C.1 for a discussion of the consequences of the Proposal codifying current exemptions and amendments, including permanently exempting certain "floor" verbal activity and certain lifecycle linkage data between customer and representative order data.

clock synchronization standards present in the Proposal. This alternative would, however, sacrifice the data accuracy benefits these aspects of the Proposal offer through incentives for process improvement and event timing accuracy, possibly leading to reduced investor protection and allocative inefficiency.[618]

This alternative retains the current disadvantage that Congressionally appropriated funds offset by Section 31 fees, a mechanism established by statute, would not be used to support the CAT, but avoids any frictions which the appropriations or contracting processes may introduce to CAT funding and operations.[619] This alternative retains the current CAT security treatment, thus reversing the Proposal's benefits and costs as they pertain to data security, which the Commission assesses to be small.[620] The Central Repository would also remain a Regulation SCI system under this alternative, but, as discussed above, this would not impact the security of the CAT.[621]

F. Request for Comment

The Commission solicits comment on the following:

61. During the transition period leading up to the coordinated rescission of the CAT NMS Plan and the implementation of the requirements of Rule 17a-26, will Industry Members or Participants incur additional costs?

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618 See supra Part V.C.2.a and Part V.C.3.a for a discussion of the benefits and costs of these changes.

619 See supra Part V.C.2.b for a discussion of appropriated funding and Part V.C.3.c.i for a discussion of possible contracting costs.

620 See supra Part V.C.2.d and Part V.C.3.d for an assessment of these security impacts.

621 See supra Part V.B.4 and Part V.C.2.d for the relevant security requirements of a Regulation SCI system and a discussion of this impact.

62. Would the mechanics of the duties of SROs and Industry Members under the Proposal be affected if the data is reported to the Commission or Designee instead of directly to the Plan Processor?

63. Would the surveillance capabilities of SROs change, insofar as they depend on the CAT, if SROs would have to anticipate appropriations for the Commission, and ultimately for the CAT?

64. What are the current error rates for data reported to the Central Repository by individual CAT Reporters, and what costs do individual CAT Reporters incur on error mitigation to achieve these rates? What volume of corrections is processed annually, and what costs do CAT Reporters incur in making them? Would CAT Reporters change their reporting practices if the current quantitative error-rate standards under the CAT NMS Plan and SRO CAT Compliance Rules were eliminated?

65. Proposed Rule 17a-26 does not specify a retention period for the Central Repository. What retention period would be appropriate, and why?

66. Proposed Rule 17a-26(m) would reduce from five years to three years the period for which national securities exchanges and national securities associations must preserve records of CAT submissions. Do these entities currently maintain CAT submission records as a distinct set of records? What costs would the shorter retention period eliminate, and would the absence of those records in years four and five affect regulatory activities?

67. After March 31, 2028, the Plan Processor and the Participants may no longer bill Industry Members under the 2026 Funding Model. In estimating the benefits and costs of the Proposal, what funding arrangement should the Commission assume would apply after that date, if not the 2026 Funding Model, and why?

68. Should the Commission retain the 2026 Funding Model instead of adopting the Proposal, and why?

69. Does the funding mechanism in the Proposal bring stability to the funding of the CAT? Will the funding of the CAT in the Proposal be less contentious than under the 2026 Funding Model? Why or why not? Please explain in detail.

70. Who will ultimately bear the costs of the CAT under the Proposal? Is that different from the 2026 Funding Model?

71. Do you think reporting pursuant to a Commission rule and potential use of appropriated funds to support the CAT is more or less efficient than reporting pursuant to an NMS plan and potential passing through of the CAT fees under the 2026 Funding Model?

72. How are CAT fee obligations under the 2026 Funding Model distributed across broker-dealers of different types and sizes, including liquidity providers, options market makers, and firms with order flow concentrated on one side of transactions? How would that distribution change under an appropriations-based model?

73. What resources do the Participants devote to CAT governance, including the Operating Committee, supervision of the Plan Processor, and legal, advisory, and consulting support? What costs have CAT LLC, the Participants, and Industry Members incurred since 2016 in developing, evaluating, and challenging CAT funding arrangements?

74. Are there additional security issues that the Commission should consider in its analysis of likely security effects of the Proposal?

75. In its analysis, the Commission assumes that the current Plan Processor's connectivity requirements ensure that CAT Reporters are already connecting to and transmitting data to the Central Repository in a manner that satisfies the Proposal's requirements for secure connectivity

and data encryption. Are there CAT Reporters for which this is not the case that the Commission should consider?

76. Many CAT Reporters rely upon service bureaus to perform their required CAT Data reporting. Will these service bureaus incur costs to comply with the Proposal that the Commission has not considered in its analysis?

77. In its analysis of economic effects, the Commission assumes that the staff of CAT LLC will be able to complete necessary activities to wrap up CAT LLC's administration of the Plan and transfer control of operations as needed during the period between adoption of the Proposal and its Effective Date. The belief that this is appropriate depends on the further assumption that CAT LLC will have reduced administrative activities regarding future CAT LLC administration of the Plan beyond the Effective Date. Are these assumptions appropriate? What activities that will cause CAT LLC to incur costs during the period between adoption and the Effective Date should the Commission consider in revising its estimates, if necessary?

78. The Commission requests comment on the potential for new information security costs incurred by the Designee in order to become a Federal contractor. Does the Commission's acknowledgment of the potential for such costs accurately reflect the expenses the Designee is likely to incur?

79. Are there alternative governance models to the one proposed herein that would preserve the CAT NMS Plan but enable a single-ownership governance structure? If so, please identify such governance models and explain whether they would be preferable to the model proposed herein.

80. Would amending the voting structure of the CAT NMS Plan to adopt a model consistent

with the CT Plan[622] resolve the above-described governance and/or funding issues identified by commenters on the Concept Release?[623] Why or why not?

81. Would amending the funding model of the CAT NMS Plan resolve the above-described governance and/or funding issues identified by commenters on the Concept Release? If so, please describe how the funding model should be amended and explain why it would resolve the above-described governance and/or funding issues.[624]

82. Would the proposed structure in which the Commission assumes direct control of the CAT be a more efficient governance model than the CAT NMS Plan? Why or why not? Would such a model provide the Commission with a more direct method of overseeing the CAT? Why or why not? Under what circumstances?

VI. Paperwork Reduction Act

A. Summary of Proposed Collections of Information

1. Rescission of Rule 613

As discussed above in Part III, the Commission is proposing to rescind Rule 613.[625] Rule 613 contains "collection of information requirements" within the meaning of the Paperwork Reduction Act of 1995 ("PRA").[626] The title for the existing collection of information is Consolidated Audit Trail NMS Plan (NMS Plan Required to be Filed under Commission Rule

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622 See Joint Industry Plan; Order Approving, as Modified, a National Market System Plan Regarding Consolidated Equity Market Data, Securities Exchange Act Release No. 101672 (Nov. 20, 2024), 89 FR 94924, 94957 (Nov. 29, 2024) (File No. 4-757), especially Attachment A, Limited Liability Company Agreement of CT Plan LLC, and its subsequent amendments.

623 See Concept Release, supra note 10, at 20951-52, for additional questions about potential alternative voting structures.

624 See id. at 20953, for additional questions about potential alternative funding models.

625 See also supra Part II.C.1.

626 44 U.S.C. 3501 et seq.

613), OMB control number 3235-0671.[627] The proposed rescission, if adopted, would eliminate the collection of information in the rule, and its associated burdens, and the Commission would submit a request to OMB to discontinue OMB Control Number 3235-0671.

2. Proposed Rule 17a-26

As discussed above in Part IV, the Commission is proposing Rule 17a-26, and certain provisions of Rule 17a-26 contain "collection of information requirements" within the meaning of the PRA.[628] The Commission is submitting these collections of information to the Office of Management and Budget ("OMB") for review in accordance with the PRA.[629] An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the agency displays a currently valid control number.[630]

The data collected and reported to the Central Repository pursuant to proposed Rule 17a-26 would be used by regulators to monitor and surveil the securities markets and detect and investigate activity, whether on one market or across markets. The data collected and reported to the Central Repository would also be used by regulators for the evaluation of tips and complaints and for enforcement inquiries or investigations, as well as inspections and examinations. Further, the Commission could use the data collected and reported to the Central Repository to conduct timely and accurate analysis of market activity for reconstruction of broad-based market events in support of regulatory decisions.

We discuss below the collection of information burdens associated with the proposed

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627 See also Securities and Exchange Commission Notice, OMB Control No. 3235-0671, 91 FR 46199 (July 22, 2026) ("Agency Information Collection Activities; Proposed Collection; Comment Request; Extension: Rule 613 of Regulation NMS").

628 44 U.S.C. 3501 et seq.

629 44 U.S.C. 3507; 5 CFR 1320.11.

630 5 CFR 1320.11(l).

rule. These PRA burden estimates are not the only economic effects of the proposed rulemaking. The proposed rule requires the collection and reporting of confidential information. To the extent that the Commission receives confidential information pursuant to proposed Rule 17a-26, such information will be kept confidential, subject to the provisions of applicable law.[631] Responses to these collections of information are mandatory. A more detailed description of the proposed amendments, including the need for the information and its use can be found in Part IV above, and a discussion of the economic effects of the proposed rule can be found in Part V above.

Data Collection and Reporting

Proposed Rule 17a-26 would require national securities exchanges, national securities associations, and broker-dealers to record and report customer and order event information for orders in Eligible Securities,[632] across all markets, from the time of order inception through routing, cancellation, modification, or execution to the Commission or the Designee, in accordance with specified timelines. Such information would allow for the provision of an accurate, time-sequenced record of orders beginning with the receipt or origination of an order, through the process of routing, modification, cancellation and execution (in whole or in part) of the order.

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631 Proposed Rule 17a-26 would state that this section requires national securities exchanges, national securities associations, and broker-dealers to report certain information to the Commission or its designee, to allow for the maintenance of a consolidated audit trail to be used for regulatory purposes only. It would also state that the consolidated audit trail may only be accessed and used by authorized regulatory staff of the Commission, national securities exchanges, and national securities associations to support regulatory purposes, such as market reconstruction and analyses, surveilling, examining, investigating, or enforcing compliance by its members and their associated persons with federal securities laws, the Commission's rules and regulations thereunder, and a national securities exchange or national securities association's own rules. See supra Part IV.

632 Proposed Rule 17a-26(a)(20) would define the term Eligible Security to mean (1) NMS Securities and (2) all OTC Equity Securities. See Part IV.A., supra. NMS Security and OTC Equity Security are proposed to be defined in proposed Rule 17a-26(a)(29) and (33), respectively. See id.

Proposed Rule 17a-26 would require the collection and reporting of certain information that national securities exchanges and national securities associations, as well as their members, already collect and report pursuant to Commission and SRO rules.[633] This reporting would allow the Central Repository to convert the data to a uniform electronic format for consolidation and storage.

Documentation of Clock Synchronization

Proposed Rule 17a-26(c) would impose collection of information requirements relating to clock synchronization and Business Clocks, specifically requiring CAT Reporters to document and maintain their synchronization procedures for Business Clocks. Pursuant to proposed Rule 17a-26(c)(2), national securities exchanges, national securities associations, and broker-dealers must keep a log of the times when they synchronize their Business Clocks and the results of the synchronization process and this log should include notice of any time a Business Clock drifts more than the applicable tolerance specified in paragraph (c) of proposed Rule 17a-26. Such log must include results for a period of not less than three years ending on the then current date, or for the entire period for which the national securities exchange, national securities association, or Industry Member has been required to comply with this section if less than three years. Each national securities exchange, national securities association and broker-dealer subject to this section would also be required to certify that its Business Clocks satisfy the synchronization requirements set forth in paragraph (c)(1) of this section on an annual basis. Finally, national

633 See, e.g., 17 CFR 240.17a-1 (requiring national securities exchanges and national securities associations to keep documents, including all correspondence, memoranda, papers, books, notices, accounts and other such records). The PRA burden estimates do not include the hour and cost burdens associated with proposed Rule 17a-26(m) regarding recordkeeping of CAT submission files, as existing recordkeeping rules would require the maintenance of these records for as long or longer time period, specifically Rule 17a-1 (OMB Control No. 3235-0208) for national securities exchanges and national securities associations, and Rule 17a-4 for broker-dealers. See 17 CFR 240.17a-1 and 17 CFR 240.17a-4. See also Part IV.M, supra.

securities exchanges, national securities associations, and broker-dealers with Business Clocks must report to the Commission or the Designee violations of proposed Rule 17a-26(c)(1).

Error Correction Policies and Procedures

Proposed Rule 17a-26(j)(2) will require each CAT Reporter to establish, maintain, and enforce written policies and procedures that are reasonably designed to ensure that it complies with any obligations to report information pursuant to proposed Rule 17a-26 and to review and update these policies and procedures at least annually and maintain a record of such review.

CAT Reporting Agent Agreement

Proposed Rule 17a-26(e)(3) will allow Industry Members to enter into an agreement with a CAT Reporting Agent[634] pursuant to which the CAT Reporting Agent agrees to fulfill the reporting obligations of such Industry Member under proposed Rule 17a-26. Proposed Rule 17a-26(e)(3) would require that any such agreement be evidenced in writing and must specify the respective functions and responsibilities of each party to the agreement that are required to effect full compliance with the requirements of proposed Rule 17a-26. Proposed Rule 17a-26(e)(3) would state that all written documents evidencing such agreement must be maintained by each party to the agreement.

B. Estimated Hour Burden Effects of the Proposal

1. Rescission of Rule 613

The proposed rescission of Rule 613, if adopted, would eliminate in its entirety the collection of information requirements in the rule. The following table (PRA Table 1) summarizes the estimated burden hours in OMB Control No. 3235-0671 that would be

634 Proposed Rule 17a-26(a)(10) would define the term CAT Reporting Agent to mean a third party that enters into an agreement with an Industry Member pursuant to which the CAT Reporting Agent agrees to fulfill such Industry Member's reporting obligations under proposed Rule 17a-26. See supra Part IV.A.

eliminated.

PRA Table 1: Summary of Hour Burdens Eliminated by Proposed Rescission of Rule 613

Name of Information Collection	Type of Burden	[A.] Number of Entities Impacted	[B.] Annual Responses per Entity	[C.] Initial Burden per Entity per Response	[D.] Initial Burden Annualized per Entity per Response [= C ÷ 3 years]	[E.] Ongoing Burden per Entity per Response	[F.] Annual Burden Per Entity per Response [= D + E]	[G.] Total Annual Burden Per Entity [= (D + E) * B]	[H.] Total Industry Burden [= G * A]	Small Business Entities Affected
Central Repository	Recordkeeping	27	1	0	0	533.33	533.33	533.33	14,400	0
Data Collection and Reporting (Participants)	Third Party Disclosure	27	1	0	0	1,344.60	1,344.60	1,344.60	36,304	0
Surveillance	Recordkeeping	27	1	0	0	12,285	12,285	12,285	331,695	0
Written Assessment of Operation of CAT	Reporting	27	1	0	0	150	150	150	4,050	0
Assessment of Material Systems Change on Error Rate	Reporting	27	1	0	0	5.56	5.56	5.56	150	0
Background Checks	Disclosure	27	1	0	0	4.24	4.24	4.24	115	0
Data Collection and Reporting (Large, Non-OATS Reporting Broker-Dealers) - ELPs	Third Party Disclosure	9	1	0	0	13,338	13,338	13,338	120,042	0
Data Collection and Reporting (Large, Non-OATS Reporting Broker-Dealers) – Options Market Makers	Third Party Disclosure	6	1	0	0	13,338	13,338	13,338	80,028	0
Data Collection and Reporting (Large OATS Reporting Broker-Dealers)	Third Party Disclosure	126	1	0	0	18,054	18,054	18,054	2,274,804	0
Data Collection and Reporting (Small OATS Reporting Broker-Dealers)	Third Party Disclosure	806	1	0	0	1,350	1,350	1,350	1,088,100	Estimated 490
Data Collection and Reporting (Small Non-OATS Reporting Broker-Dealers)	Third Party Disclosure	128	1	0	0	1,350	1,350	1,350	172,800	Estimated 128

TOTAL HOURLY BURDEN FOR ALL RESPONDENTS	4,122,488	

2. Proposed Rule 17a-26

PRA Table 2 below summarizes our initial and ongoing annual burden estimates associated with the proposed Rule 17a-26. The following estimates of burden are made for purposes of the PRA.

PRA Table 2: Summary of Annual Hourly Burdens of Proposed Rule 17a-26

	Number of entities	**Initial annual burden per entity**	**Ongoing annual burden per entity**	**Total ongoing annual burden**	**Total annual ongoing burden dollar cost**
Data Collection and Reporting (SROs)	30[1]	0[2]	1,345 hours [3]	40,350 hours	$19,811,850[4]
Data Collection and Reporting (Broker-dealers)	1,075[5]	0[6]	3,475 hours [7]	3,735,774 hours	$1,834,265,034[8]
Documentation of clock synchronization	1,105[9]	5[10]	100 hours [11]	110,500 hours	$54,255,500[12]
Error correction policies and procedures	1,105[13]	150[14]	100 hours [15]	110,500 hours	$82,267,250[16]
CAT Reporting Agent agreement	1,000[17]	0[18]	100 hours[19]	100,000 hours	$74,450,000[20]
TOTAL BURDEN FOR ALL RESPONDENTS				4,097,124 hours	$2,065,049,634

Notes:

1. The SROs subject to the reporting requirements of proposed Rule 17a-26 are the 29 national securities exchanges and 1 national securities association. Consistent with existing collection of information "Data Collection and Reporting (Participants)" within Consolidated Audit Trail NMS Plan (NMS Plan Required to be Filed under Commission Rule 613), OMB control number 3235-0671, the SROs have distinct burden estimates from broker-dealers. As proposed, the reporting obligations under proposed Rule 17a-26 are intended to be the same as currently required for SROs and broker-dealers under the CAT NMS Plan.

2. This initial burden estimate is 0 because the reporting obligations under proposed Rule 17a-26 are intended to be the same as currently required for Participants under the CAT NMS Plan, and SROs are already reporting to the CAT consistent with these requirements.

3. The ongoing annual burden per entity estimate is based on the estimate from the most recent PRA submission of existing collection of information "Data Collection and Reporting (Participants)" within Consolidated Audit Trail NMS Plan (NMS Plan Required to be Filed under Commission Rule 613), OMB control number 3235-0671, rounded up from 1,344.60 to 1,345 hours. As proposed, the reporting obligations under proposed Rule 17a-26 are intended to be the same as currently required for Participants under the CAT NMS Plan.

4. To obtain estimates of the total annual ongoing costs in this release, the Commission multiplies the estimated total annual burden hours by an hourly rate. Here, the estimated rate of $491 per hour is a blended hourly rate of our current estimate of the occupational hourly rate for two occupations: General and Operations Manager ($656 per hour) and Computer Programmer ($436 per hour). This blended hourly rate assumes that General and Operations Managers will account for 25 percent of the total time spent on compliance activities and Computer Programmers will account for 75 percent ($656 x 0.25 + $436 x. 0.75 = $491). We expect that the types of individuals,

the rates for those individuals, and the proportion of each individual's contributions would vary among affected parties and could differ depending on which specific information collection the affected party is completing. Nonetheless, for purposes of this analysis, we believe the per hour rate is a reasonable estimate of the hourly cost of completing the required information collection. To calculate the occupational hourly rates, the Commission uses occupational mean hourly wage data from the Occupational Employment and Wage Statistics (OEWS) program of the Bureau of Labor Statistics (BLS) for "Securities, Commodity Contracts, and Other Financial Investments and Related Activities" (NAICS 523). *See Occupational Employment and Wage Statistics*, U.S. Bureau of Labor Statistics, https://www.bls.gov/oes/; *see also Standard Occupational Classification*, U.S. Bureau of Labor Statistics, https://www.bls.gov/soc/ (describing occupational classification system used by BLS); Exec. Off. of the President, Off. of Mgmt. & Budget, North American Industry Classification System (2022), *available at* https://www.census.gov/naics/reference_files_tools/2022_NAICS_Manual.pdf (describing the industry classification system used by BLS and other agencies). The mean hourly wage for each occupation is multiplied by an employment cost index (ECI) factor of about 1.0227, calculated as one plus the percent change in the seasonally adjusted ECI for wages and salaries of private industry workers from the second quarter of 2025 (ECI=173.563), which contains the May 2025 OEWS reference period, to the first quarter of 2026 (ECI=177.498), which is the date of the most recently available ECI observations when the occupational hourly rates used in this release were calculated. *See Employment Cost Index*, U.S. Bureau of Labor Statistics, Seasonal Data 2001-Present, https://www.bls.gov/eci/tables /. The adjusted mean hourly wage is then multiplied by a nonwage cost adjustment factor of about 5.734, which accounts for nonwage costs borne by employers, such as bonuses, benefits, and overhead. This factor is calculated as an average over 2016-2025 of the ratio of the Bureau of Economic Analysis's gross output for NAICS 523 to OEWS's total wages across all employees in NAICS 523. *See Gross Output by Industry*, U.S. Bureau of Economic Analysis, https://www.bea.gov/data/industries/gross-output-by-industry; *Occupational Employment and Wage Statistics*, U.S. Bureau of Labor Statistics, https://www.bls.gov/oes/. For example, the $656 occupational hourly rate for a General and Operations Manager is calculated as $111.82 × 1.0227 × 5.734 or approximately $656, where $111.82 is the May 2025 occupational mean hourly wage for a General and Operations Manager in NAICS 523. The final product is the occupational hourly rate. *See generally* Updated Methodology for Calculating Occupational Hourly Rates (Dec. 19, 2025), *available at* https://www.sec.gov/files/method-occupational-hourly-rates.pdf.

5. Not all broker-dealers are expected to have reporting obligations under proposed Rule 17a-26, only those that quote or execute transactions in Eligible Securities and would likely have reporting obligations under the proposed rule. Broker-dealers that do not trade in asset classes included in the definition of Eligible Security or do not trade at all (e.g., broker-dealers for the purposes of underwriting, advising, private placements), are not subject to the reporting requirements of proposed Rule 17a-26. The estimate of broker-dealers subject to the reporting requirements in proposed Rule 17a-26 are estimated to be the same as the estimate in the most recent PRA submission of Consolidated Audit Trail NMS Plan (NMS Plan Required to be Filed under Commission Rule 613), OMB control number 3235-0671. See also infra PRA Table 2 note 7. As proposed, the reporting obligations under proposed Rule 17a-26 are intended to be the same as currently required for Industry Members under the CAT NMS Plan.

6. This initial burden estimate is 0 because the reporting obligations under proposed Rule 17a-26 are intended to be the same as currently required for Industry Members pursuant to the CAT NMS Plan and SRO CAT Compliance Rules, and broker-dealers are already reporting to the CAT consistent with these requirements.

7. The ongoing annual burden per entity estimate is based on the most recent PRA submission of existing collection of information Consolidated Audit Trail NMS Plan (NMS Plan Required to be Filed under Commission Rule 613), OMB control number 3235-0671. This figure was calculated by taking the average of all Data Collection and Reporting burden estimates that apply to broker-dealers within that existing collection of information. ((Large, Non-OATS Reporting Broker-Dealers – ELPs, 9 firms * 13,338 hours (120,042 hours) + Large, Non-OATS Reporting Broker Dealers – Options Market Makers, 6 firms * 13,338 hours (80,028 hours) + Large OATS Reporting Broker-Dealers, 126 firms * 18,054 hours (2,274,804 hours) + Small OATS Reporting Broker-Dealers, 806 firms * 1,350 hours (1,088,100 hours) + Small Non-OATS Reporting Broker-Dealers, 128 firms * 1,350 hours (172,800 hours)) = 3,735,774 hours / 1,075 firms (total number of firms, 9 + 6 + 126 + 806 + 128 = 1,075), totaling 3,475.14 hours, rounded to an average of 3,475 hours. As proposed, the reporting obligations under proposed Rule 17a-26 are intended to be the same as currently required for Industry Members under the CAT NMS Plan.

8. For purposes of this estimate the hourly rate for each internal burden hour is estimated to be $491 = 25% General and Operations Manager ($656 per hour x 0.25 = $164) + 75% Computer Programmer ($436 per hour x 0.75 = $327). See supra PRA Table 2 note 4. $491 x 3,735,774 estimated annual burden hours = $1,834,265,034.

9. This estimate is the number of SROs (30) + number of broker-dealers subject to proposed Rule 17a-26 (1,075) = 1,105 entities total.

10. This estimate is an average of the initial burden per entity, assuming that the 1,075 broker-dealers subject to proposed Rule 17a-26 are already reporting the information required by the proposed clock synchronization provision (proposed Rule 17a-26(c)) because

proposed Rule 17a-26(c) has the same requirements as SRO CAT Compliance Rules which broker-dealers are currently subject to and reporting pursuant to. However, the proposed information collections of Rule 17a-26(c) would be newly required from the 30 SROs. The Commission estimates that each SRO would have an initial, one-time burden of approximately 200 hours, double the estimated ongoing annual burden per entity. This means the average initial annual burden per entity is approximately 5.43 hours ((30 SROs x 200 hours = 6,000 hours) / (1,105 entities) = 5.43 hours, rounded down to 5 in the table above. Based on an estimated hourly rate for each internal burden hour of $491 (see PRA Table 2 note 12 below), the per entity monetized initial burden would be $98,200 (200 initial burden hours x $491) and aggregate monetized initial burden for all respondents would be $2,946,000 (6,000 total initial burden hours x $491).

11. This estimate is an average of the estimated ongoing annual burden per entity. Some CAT Reporters may have a higher burden, and others much lower, depending on particular business models and what types of Reportable Events they are required to report. In addition, some CAT Reporters may outsource this to third-parties.

12. For purposes of this estimate the hourly rate for each internal burden hour is estimated to be $491 = 25% General and Operations Manager ($656 per hour x 0.25 = $164) + 75% Computer Programmer ($436 per hour x 0.75 = $327). $491 x 110,500 estimated annual burden hours = $54,255,500.

13. This estimate is the number of SROs (30) + number of broker-dealers subject to proposed Rule 17a-26 (1,075) = 1,105 entities total.

14. This estimate is an average of the initial burden per entity, assuming that approximately half of the 1,075 broker-dealers and 30 SROs subject to proposed Rule 17a-26 already have written policies and procedures regarding CAT reporting and error correction sufficient to satisfy the requirements of proposed Rule 17a-26(j)(2). The Commission estimates that each CAT Reporter without existing or sufficient written policies and procedures (estimated to be 552 CAT Reporters) would have an average, initial, one-time burden of approximately 300 hours, triple the estimated ongoing annual burden per entity. This means the average initial annual burden per entity is approximately 150 hours ((552 CAT Reporters x 300 hours = 165,600 hours) / (1,105 entities)) = 149.86 hours. Based on an estimated hourly rate for each internal burden hour of $744.50 (see PRA Table 2 note 16 below), the per entity monetized initial burden would be $111,675 (150 initial burden hours x $744.50) and aggregate monetized initial burden for all respondents would be $123,289,200 (165,600 total initial burden hours x $744.50).

15. This estimate is an average of the estimated ongoing annual burden per entity. Some CAT Reporters may have a higher burden, and others much lower, depending on particular business models and what types of Reportable Events they are required to report. In addition, some CAT Reporters may outsource this to third-parties.

16. For purposes of this estimate the hourly rate for each internal burden hour is estimated to be $744.50 = 25% General and Operations Manager ($656 per hour x 0.25 = $164) + 75% Lawyers ($774 per hour x 0.75 = $580.50). $744.50 x 110,500 estimated annual burden hours = $82,267,250.

17. This estimate is an estimate of the number of broker-dealers that use a CAT Reporting Agent to report some or all of the information that the broker-dealer would be required to report under proposed Rule 17a-26, and of the number of broker-dealer CAT Reporting Agents that are broker-dealers subject to the proposed rule.

18. This initial burden estimate is 0 because the obligation to have a written agreement between CAT Reporters and CAT Reporting Agents under proposed Rule 17a-26 is intended to be the same as currently required for Industry Members pursuant to the CAT NMS Plan and SRO CAT Compliance Rules, and broker-dealers, including CAT Reporting Agents, are already reporting to the CAT consistent with these requirements.

19. This estimate is an average of the estimated ongoing annual burden per entity. Some CAT Reporters and CAT Reporting Agents may have a higher burden, and others lower, depending on particular business models and what types of Reportable Events they are required to report.

20. For purposes of this estimate the hourly rate for each internal burden hour is estimated to be $744.50 = 25% General and Operations Manager ($656 per hour x 0.25 = $164) + 75% Lawyers ($774 per hour x 0.75 = $580.50). $744.50 x 100,000 estimated annual burden hours = $74,450,000.

C. Estimated Cost Effects of the Proposal

1. Proposed Rescission of Rule 613

With respect to the rescission of Rule 613, the Commission anticipates the elimination in its entirety the PRA collection of information. The following table (PRA Table 3) summarizes the estimated cost burdens associated with the information collection that would be eliminated.

PRA Table 3: Summary of Dollar Costs Eliminated by Proposed Rescission of Rule 613

Name of Information Collection	Type of Burden	[A.] Number of Entities Impacted	[B.] Annual Responses per Entity	[C.] Initial Cost per Entity per Response	[D.] Initial Cost Annualized per Entity per Response [= C ÷ 3 years]	[E.] Ongoing Cost per Entity per Response	[F.] Annual Cost Per Entity per Response [= D + E]	[G.] Total Annual Cost Per Entity [= (D + E) * B]	[H.] Total Industry Cost [= G * A]	Small Business Entities Affected
Central Repository	Recordkeeping	27	1	$0	$0	$5,000,000	$5,000,000	$5,000,000	$145,500,000	0
Data Collection and Reporting (Participants)	Third Party Disclosure	27	1	0	0	$476,579.58	$476,579.58	$476,579.58	$12,867,649	0
Surveillance	Recordkeeping	27	1	$0	$0	$1,105,263.16	$1,105,263.16	$1,105,263.16	$29,842,105	0
Written Assessment of Operation of CAT	Reporting	27	1	$0	$0	$1,286.25	$1,286.25	$1,286.25	$34,729	0
Independent Audit of Expenses Incurred Prior to the Effective Date	Disclosure	27	1	$0	$0	$0	$0	$0	0	0
Financial Statements	Disclosure	27	1	0	0	$2,407.41	$2,407.41	$2,407.41	$65,000	0
Background Checks	Disclosure	27	1	$0	$0	$621.47	$621.47	$621.47	$16,780	0
Data Collection and Reporting (Large, Non-OATS Reporting Broker-Dealers - ELPs)	Third Party Disclosure	9	1	$0	$0	$110,466.67	$110,466.67	$110,466.67	$994,200	0

Data Collection and Reporting (Large, Non-OATS Reporting Broker-dealers – Options Market Makers)	Third Party Disclosure	6	1	$0	$0	$2,090,466.67	$2,090,466.67	$2,090,466.67	$12,542,800	0
Data Collection and Reporting (Large OATS Reporting Broker-Dealers)	Third Party Disclosure	126	1	$0	$0	$529,166.67	$529,166.67	$529,166.67	$66,675,000	0
Data Collection and Reporting (Small OATS Reporting Broker-Dealers)	Third Party Disclosure	806	1	$0	$0	$124,399.13	$124,399.13	$124,399.13	$100,265,699	Estimated 806
Data Collection and Reporting (Small Non-OATS Reporting Broker-Dealers)	Third Party Disclosure	128	1	$0	$0	$124,399.13	$124,399.13	$124,399.13	$15,923,089	Estimated 128
								TOTAL COST FOR ALL RESPONDENTS	$384,727,051	

2. Proposed Rule 17a-26

PRA Table 4 below summarizes our estimated initial and ongoing annual cost burdens associated with the proposed Rule 17a-26. The following estimates of average costs are made for purposes of the Paperwork Reduction Act.

PRA Table 4: Summary of Annual Costs of Proposed Rule 17a-26

	Number of entities	**Initial external cost per entity**	**Ongoing annual external cost per entity**	**Total annual ongoing external cost**
Data Collection and Reporting (SROs)	30[1]	0[2]	$476,580[3]	$14,297,400
Data Collection and Reporting (Broker-dealers)	1,075[4]	0[5]	$182,700[6]	$196,402,788
Documentation of clock synchronization	1,105[7]	$678[8]	$25,000[9]	$27,625,000
Error correction policies and procedures	1,105[10]	$4,995[11]	$5,000[12]	$5,525,000
CAT Reporting Agent agreement	1,000[13]	$0[14]	$5,000[15]	$5,000,000

Notes:

1. The SROs subject to the reporting requirements of proposed Rule 17a-26 are the 29 national securities exchanges and 1 national securities association. Consistent with existing collection of information "Data Collection and Reporting (Participants)" within Consolidated Audit Trail NMS Plan (NMS Plan Required to be Filed under

Commission Rule 613), OMB control number 3235-0671, the SROs have distinct cost estimates from broker-dealers. As proposed, the reporting obligations under proposed Rule 17a-26 are intended to be the same as currently required for SROs and broker-dealers under the CAT NMS Plan.

2. This initial cost estimate is 0 because the reporting obligations under proposed Rule 17a-26 are intended to be the same as currently required for Participants under the CAT NMS Plan, and SROs are already reporting to the CAT consistent with these requirements.

3. The ongoing annual cost per entity estimate is based on the estimate from the most recent PRA submission of existing collection of information "Data Collection and Reporting (Participants)" within Consolidated Audit Trail NMS Plan (NMS Plan Required to be Filed under Commission Rule 613), OMB control number 3235-0671, rounded up from $476,579.58 to $476,580. This is composed of third-party legal and consulting and other costs, the external costs of outsourcing, software, hardware and other external costs associated with reporting. As proposed, the reporting obligations under proposed Rule 17a-26 are intended to be the same as currently required for Participants under the CAT NMS Plan.

4. Not all broker-dealers are expected to have reporting obligations under proposed Rule 17a-26, only those that quote or execute transactions in Eligible Securities and would likely have reporting obligations under the proposed rule. Broker-dealers that do not trade in asset classes included in the definition of Eligible Security or do not trade at all (e.g., broker-dealers for the purposes of underwriting, advising, private placements), are not subject to the reporting requirements of proposed Rule 17a-26. The estimate of broker-dealers subject to the reporting requirements in proposed Rule 17a-26 are estimated to be the same as the estimate in existing collection of information Consolidated Audit Trail NMS Plan (NMS Plan Required to be Filed under Commission Rule 613), OMB control number 3235-0671. See also infra PRA Table 4 note 6. As proposed, the reporting obligations under proposed Rule 17a-26 are intended to be the same as currently required for Industry Members under the CAT NMS Plan.

5. This initial cost estimate is 0 because the reporting obligations under proposed Rule 17a-26 are intended to be the same as currently required for Industry Members pursuant to the CAT NMS Plan and SRO CAT Compliance Rules, and broker-dealers are already reporting to the CAT consistent with these requirements.

6. The ongoing annual cost per entity estimate is based on the most recent PRA submission of the existing collection of information Consolidated Audit Trail NMS Plan (NMS Plan Required to be Filed under Commission Rule 613), OMB control number 3235-0671. This figure was calculated by taking the average of all Data Collection and Reporting cost estimates that apply to broker-dealers within that existing collection of information. ((Large, Non-OATS Reporting Broker-Dealers – ELPs, 9 firms * $110,466.67 ($994,200.03) + Large, Non-OATS Reporting Broker Dealers – Options Market Makers, 6 firms * $2,090,466.67 ($12,542,800.02) + Large OATS Reporting Broker-Dealers, 126 firms * $529,166.67 ($66,675,000.42) + Small OATS Reporting Broker-Dealers, 806 firms * $124,399.13 ($100,265,698.78) + Small Non-OATS Reporting Broker-Dealers, 128 firms * $124,399.13 ($15,923,088.64)) = $196,400,787.89 / 1,075 firms (total number of firms, 9 + 6 + 126 + 806 + 128 = 1,075), totaling $182,698.41, rounded to an average of $182,700. These are estimated external costs of maintaining systems necessary to collect and transmit information to the Central Repository, in particular hardware and software costs, and/or the external costs of outsourcing reporting. As proposed, the reporting obligations under proposed Rule 17a-26 are intended to be the same as currently required for Industry Members under the CAT NMS Plan.

7. This estimate is the number of SROs (30) + number of broker-dealers subject to proposed Rule 17a-26 (1,075) = 1,105 entities total.

8. This estimate is an average of the initial cost per entity, assuming that the 1,075 broker-dealers subject to proposed Rule 17a-26 are already reporting the information required by the proposed clock synchronization provision (proposed Rule 17a-26(c)) because proposed Rule 17a-26(c) has the same requirements as SRO CAT Compliance Rules which broker-dealers are currently subject to and reporting pursuant to. However, the proposed information collections of Rule 17a-26(c) would be newly required from the 30 SROs. The Commission estimates that each SRO would have an initial, one-time cost of approximately $25,000. This means the average initial cost per entity is approximately $678 ((30 SROs x $25,000 = $750,000) / (1,105 entities) = $678.73.

9. This estimate is an average of the estimated ongoing annual cost per entity. Some CAT Reporters may have a higher cost, and others much lower, depending on particular business models and what types of Reportable Events they are required to report. In addition, some CAT Reporters may outsource this to third-parties.

10. This estimate is the number of SROs (30) + number of broker-dealers subject to proposed Rule 17a-26 (1,075) = 1,105 entities total.

11. This estimate is an average of the initial cost per entity, assuming that approximately half of the 1,075 broker-dealers and 30 SROs subject to proposed Rule 17a-26 already have written policies and procedures regarding CAT reporting and error correction sufficient to satisfy the requirements of proposed Rule 17a-26(j)(2). The Commission estimates that each CAT Reporter without existing or sufficient written policies and procedures would have an average, initial, one-time cost of approximately $10,000, double the ongoing annual cost per entity. This means the average initial annual cost per entity is approximately $4,995 ((552 CAT Reporters x $10,000 = $5,520,000) / (1,105 entities)) = $4,995.48.

12. This estimate is an average of the estimated ongoing annual cost per entity. Some CAT Reporters may have a higher cost, and others much lower, depending on particular business models and what types of Reportable Events they are required to report. In addition, some CAT Reporters may outsource this to third-parties.

13. This estimate is an estimate of the number of broker-dealers that use a CAT Reporting Agent to report some or all of the information that the broker-dealer would be required to report under proposed Rule 17a-26, and of the number of broker-dealer CAT Reporting Agents that are broker-dealers subject to the rule.

14. This initial cost estimate is 0 because the obligation to have a written agreement between CAT Reporters and CAT Reporting Agents under proposed Rule 17a-26 is intended to be the same as currently required for Industry Members pursuant to the CAT NMS Plan and SRO CAT Compliance Rules, and broker-dealers, including CAT Reporting Agents, are already reporting to the CAT consistent with these requirements.

15. This estimate is an average of the estimated ongoing annual cost per entity. Some CAT Reporters and CAT Reporting Agents may have a higher cost, and others lower, depending on particular business models and what types of Reportable Events they are required to report.

D. Request for Comment

We invite comment on all of the above estimates. In particular, we request comment on the assumptions and estimates described above with respect to how respondents would comply with the proposed information collection requests. Pursuant to 44 U.S.C. 3506(c)(2)(B), we request comment in order to: (1) evaluate whether the proposed collections of information are necessary for the proper performance of the functions of the agency, including whether the information would have practical utility; (2) evaluate the accuracy of our estimate of the burden of the proposed collections of information; (3) determine whether there are ways to enhance the quality, utility, and clarity of the information to be collected; (4) evaluate whether there are ways to minimize the burden of the proposed collections of information on those who are to respond,

including through the use of automated collection techniques or other forms of information technology; and (5) evaluate whether the proposed rules would have any effects on any other collections of information not previously identified in this section.

Any member of the public may direct to us any comments concerning the accuracy of these burden estimates and any suggestions for reducing these burdens. Persons submitting comments on the collection of information requirements should direct them to the OMB Desk Officer for the Securities and Exchange Commission, MBX.OMB.OIRA.SEC_desk_officer@omb.eop.gov, and should send a copy to Vanessa A. Countryman, Secretary, Securities and Exchange Commission, using any of the methods in the ADDRESSES section, with reference to File No. S7-2026-40. Requests for materials submitted to OMB by the Commission with regard to these collections of information should be in writing, refer to File No. S7-2026-40, and be submitted to the Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549-2736. OMB is required to make a decision concerning the collection of information between 30 and 60 days after publication of this release. Consequently, a comment to OMB is best assured of having its full effect if OMB receives it within 30 days of publication.

VII. Initial Regulatory Flexibility Act Analysis

When an agency issues a rulemaking proposal, the Regulatory Flexibility Act ("RFA")[635] requires the agency to prepare and make available for public comment an initial regulatory flexibility act analysis ("IRFA") that describes the impact of the proposed rule on small entities.[636] We have prepared, and made available for public comment, the following IRFA, in

635 5 U.S.C. 601 et seq.

636 5 U.S.C. 603(a).

accordance with the RFA. The IRFA relates to the proposed rescission of Rule 613 and proposed addition of Rule 17a-26 described in Parts III and IV above.

A. Reasons for, and Objectives of, the Proposed Action

As the Commission explains above, the CAT continues to be a necessary regulatory tool for regulatory staff at the Commission and the SROs. However, its decentralized governance model has presented challenges over the last 10 years and warrants revisiting. To address the inefficiencies in the current governance structure, the Commission proposes to assume direct control of the CAT by rescinding Rule 613 and implementing proposed Rule 17a-26 to require the continued reporting and collection of data generally consistent to what is currently reported to the CAT, including data provided by broker-dealers that would qualify as small entities pursuant to the RFA. Proposed Rule 17a-26 would not include a funding model like the CAT NMS Plan; rather, the Commission anticipates that it would use Congressionally appropriated funds to support the CAT. As discussed further above, appropriated funds are offset by Section 31 fees paid by the SROs and the SROs' costs due to Section 31 fees would likely be passed on to other market participants, including small entities. The proposed rescission of Rule 613 is discussed in more detail in Part III above, and the proposed reporting rule is discussed in more detail in Part IV above. We discuss the economic impact and potential alternatives to the proposed rules in Part V, and the estimated compliance costs and burdens of the proposed rules under the PRA in Part VI.

B. Legal Basis

The amendments and proposed rule contained in this release are proposed under the authority set forth in sections 2, 3(b), 5, 6, 11, 11A, 15, 15A, 17(a) and (b), 19, 23(a), and 36 thereof, 15 U.S.C. 78b, 78c(b), 78e, 78f, 78k-1, 78o, 78o-3, 78q(a) and (b), 78s, 78w(a), and

78mm of the Exchange Act, as amended.

C. Small Entities Subject to the Proposed Amendments

The proposed rescission of Rule 613 and proposed reporting rule would apply to broker-dealers that are small entities.[637] The RFA defines "small entity" to mean "small business," "small organization," or "small governmental jurisdiction."[638] Commission rules generally define a broker-dealer as a small entity for purposes of the Exchange Act and the Regulatory Flexibility Act if the broker-dealer had a total capital of less than $500,000 on the date in the prior fiscal year as of which its audited financial statements were prepared, and it is not affiliated with any person (other than a natural person) that is not a small entity.[639] The Commission estimates, based on FOCUS filings with the Commission, that as of the first quarter of 2026, there were 618 Commission-registered broker-dealers that would be subject to the reporting requirements of proposed Rule 17a-26 and that are considered small entities for purposes of the statute.

D. Projected Reporting, Recordkeeping, and Other Compliance Requirements

Pursuant to proposed Rule 17a-26, national securities exchanges, national securities associations, and broker-dealers would be required to maintain and report certain information to the Commission or the Designee, in a manner that is substantially similar to the current CAT reporting requirements to which these parties are subject, and with such information being ingested, processed, and made available to regulatory staff. Under the proposed rule, small entities that have reporting obligations pursuant to the proposed rule would have the same

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637 The Proposal would also apply to national securities exchanges and to FINRA. Neither the national securities exchanges nor FINRA are small entities for the purposes of the RFA. See 13 CFR 121.201.

638 5 U.S.C. 601(6).

639 See 17 CFR 240.0-10(c).

reporting obligations as other Industry Members, consistent with current practice. By design, proposed Rule 17a-26 would substantially maintain existing reporting requirements on any entity subject to the proposed rule, including small entities, that are already imposed on these entities pursuant to Rule 613, the CAT NMS Plan, and SRO CAT Compliance Rules.

E. Duplicative, Overlapping, or Conflicting Federal Rules

Proposed Rule 17a-26 would require broker-dealers that are small entities to record and electronically report certain information that they already collect and report pursuant to both Federal Rules and SRO rules. For instance, Rule 17a-3 requires such broker-dealers to make and keep current certain books and records information that overlaps to some extent with the requirements set forth in proposed Rule 17a-26. Such books and records information can be requested by the Commission to support specific investigations, surveillances, examinations, or enforcement actions, but it would be difficult to collect, format, consolidate, and/or store this information in order to create a consolidated audit trail that enables regulators to perform certain kinds of analyses—for example, to analyze an order event lifecycle from order origination through routing and on to execution, modification, or cancellation and/or to analyze a particular customer's trading activity in Eligible Securities across markets, brokers, and/or accounts. By contrast, the requirements set forth in proposed Rule 17a-26 enable the creation of a consolidated audit trail by requiring these broker-dealers to record and electronically report additional and more detailed information in a specific manner that would allow for the conversion of the data to a uniform electronic format for consolidation and storage.

Rule 17a-25 also provides the Commission with the ability to request from broker-dealers that are small entities some of the information that would be collected pursuant to proposed Rule 17a-26. However, Rule 17a-25 does not duplicate the information collection that would be

enabled by proposed Rule 17a-26 in substance, functionality, or utility. Proposed Rule 17a-26 is designed to maintain CAT reporting requirements that would enable daily collection of and central storage of data from SROs and broker-dealers in a database that can be queried by regulators. The data collection system implemented by Rule 17a-25, by contrast, does not create a database; instead, it provides regulators with a means of requesting specified data sets from broker-dealers, including broker-dealers that are small entities. The way that information collected pursuant to proposed Rule 17a-26 would be used by regulators would differ, because the scope of the data and the database functionality enabled by proposed Rule 17a-26 support different types of analyses than the ad hoc data requests enabled by Rule 17a-25. For example, the central repository to which data would be reported pursuant to proposed Rule 17a-26 could be used to analyze an order event lifecycle from order origination through routing and on to execution, modification, or cancellation and/or to analyze a particular customer's trading activity in Eligible Securities across markets, brokers, and/or accounts, facilitating cross-market market surveillances, investigations, enforcement activities, and cross-market reconstructions and analyses. Performing these types of analyses with data obtained via Rule 17a-25 is a much more cumbersome, complex, and time-consuming process that is prone to error.

The type of data that would be collected pursuant to proposed Rule 17a-26 would also be different than the type of data that can be requested pursuant to Rule 17a-25. Rule 17a-25, for example, provides regulators with access to customer and account-level information that would not be required to be reported pursuant to proposed Rule 17a-26. The data provided by Rule 17a-25 is limited, however, to executed trades and does not provide information on orders or quotes. Data collections made pursuant to Rule 17a-25 thus do not provide regulators with access to information on order routes, modifications, and cancellations. Such information would

be available through proposed Rule 17a-26 and would be used to investigate various forms of potential market manipulation like layering and spoofing.

F. Significant Alternatives

The RFA directs us to consider alternatives that would accomplish our stated objectives, while minimizing any significant adverse impact on small entities. In connection with the proposed amendments, we considered the following alternatives:

- Establishing different compliance or reporting requirements that take into account the resources available to small entities;
- Clarifying, consolidating, or simplifying compliance and reporting requirements under the rules for small entities; and
- Exempting small entities from all or part of the requirements.

As noted, there will be small entities that have reporting obligations under proposed Rule 17a-26, but because the proposed rule is intended to maintain existing reporting obligations for Industry Members, we do not anticipate that small entities would experience any significant adverse impact from the proposal.

With regard to different compliance or reporting requirements that take into account the resources available to small entities and clarifying, consolidating, or simplifying compliance and reporting requirements under the rules for small entities, the proposal would impose the same reporting requirements for all Industry Members regardless of size. Given the importance of preserving and maintaining the consolidated audit trail, and regulatory value of consistent reporting obligations for Industry Members, we did not propose any changes specific to small entities. In addition, small entities will benefit from the codification of exemptions or exclusions from existing reporting requirements that are being extended.

Because proposed Rule 17a-26 would generally be consistent with existing reporting requirements for Industry Members, including small entities, we do not believe there are additional accommodations or exemptions that should be applied to small entities before reporting begins pursuant to proposed Rule 17a-26.

G. Request for Comment

We encourage the submission of comments with respect to any aspect of this IRFA. In particular, we request comments regarding:

- The number of small entities that may be affected by the proposed amendments;
- The existence or nature of the potential impact of the proposed amendments on small entities discussed in the analysis;
- Whether and to what extent additional accommodations should be made available to small entities;
- Whether there are modifications to the proposed rules that could further lower the burden on small entities; and
- How to quantify the impact of the proposed amendments.

Commenters are asked to describe the nature of any impact and provide empirical data supporting the extent of such impact.

VIII. Congressional Review Act

For purposes of Subtitle E of the Small Business Regulatory Enforcement Fairness Act of 1996 (also known as the Congressional Review Act),[640] the Commission must seek OMB's determination as to whether a final regulation constitutes a "major rule." Under the Congressional Review Act, a rule is considered "major" where, if adopted, it results in or is

640 See 5 U.S.C. chapter 8.

likely to result in:

- An annual effect on the economy of $100 million or more;
- A major increase in costs or prices for consumers or individual industries; or
- Significant adverse effects on competition, investment, or innovation.[641]

To help inform OMB's determination as to whether any final rule that results from the proposal would be a "major rule," the Commission solicits comment and data on:

- The potential effect on the U.S. economy on an annual basis;
- Any potential increase in costs or prices for consumers or individual industries; and
- Any potential effect on competition, investment, or innovation.

Commenters are requested to provide empirical data and other factual support for their views, to the extent possible, to inform OMB's determination regarding whether any final rule following this proposal is likely to be a "major rule" for the purposes of the Congressional Review Act.

IX. Other Matters

This action is an economically significant regulatory action under section 3(f)(1) of Executive Order 12866 and has been reviewed by OMB, consistent with Executive Order 14215.

X. Statutory Authority

Pursuant to the Exchange Act and particularly sections 2, 3(b), 5, 6, 11A, 15, 15A, 17(a) and (b), 19, and 23(a) thereof, 15 U.S.C. 78b, 78c(b), 78e, 78f, 78k-1, 78o, 78o-3, 78q(a) and (b), 78s and 78w(a), the Commission proposes to adopt Rule 17a-26 and rescind and reserve Rule 613 of Regulation NMS, as set forth below.

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641 See 5 U.S.C. 804(2) (defining "major rule").

List of Subjects in 17 CFR Parts 240 and 242

Brokers, Reporting and recordkeeping requirements, Securities.

Text of Proposed Rule Amendments

In accordance with the foregoing, Title 17, Chapter II, of the Code of Federal Regulations is proposed to be amended as follows:

PART 240—GENERAL RULES AND REGULATIONS, SECURITIES EXCHANGE ACT OF 1934

1. The general authority citation for part 240 continues to read, in part, as follows:

Authority: 15 U.S.C. 77c, 77d, 77g, 77j, 77s, 77z-2, 77z-3, 77eee, 77ggg, 77nnn, 77sss, 77ttt, 78c, 78c-3, 78c-5, 78d, 78e, 78f, 78g, 78i, 78j, 78j-1, 78j-4, 78k, 78k-1, 78l, 78m, 78n, 78n-1, 78o, 78o-4, 78o-10, 78p, 78q, 78q-1, 78s, 78u-5, 78w, 78x, 78dd, 78ll, 78mm, 80a-20, 80a-23, 80a-29, 80a-37, 80b-3, 80b-4, 80b-11, 1681w(a)(1), 6801-6809, 6825, 7201 et seq., and 8302; 7 U.S.C. 2(c)(2)(E); 12 U.S.C. 5221(e)(3); 18 U.S.C. 1350; and Pub. L. 111-203, 939A, 124 Stat. 1376 (2010); and Pub. L. 112-106, sec. 503 and 602, 126 Stat. 326 (2012), unless otherwise noted.

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2. Section 240.17a-26 is added to read as follows:

§ 240.17a-26 Consolidated Audit Trail.

This section requires national securities exchanges, national securities associations, and broker-dealers to report certain information to the Commission or its designee, to allow for the maintenance of a consolidated audit trail to be used for regulatory purposes only. The consolidated audit trail may only be accessed and used by authorized regulatory staff of the Commission, national securities exchanges, and national securities associations to support

regulatory purposes, such as market reconstruction and analyses, surveilling, examining, investigating, or enforcing compliance by its members and their associated persons with federal securities laws, the Commission's rules and regulations thereunder, and a national securities exchange or national securities association's own rules.

(a) Definitions. For purposes of this section:

(1) The term *Account Effective Date* means:

(i) With regard to those circumstances in which an Industry Member has established a trading relationship with an institution but has not established an account with that institution, the date the Industry Member established the relationship identifier, which would be no later than the date the first order was received;

(ii) Where an Industry Member changes back office providers or clearing firms or where an Industry Member acquires another Industry Member, the date an account was established at the relevant Industry Member, either directly or via transfer;

(iii) Where there are multiple dates associated with an account, the earliest available date; and

(iv) With regard to Industry Member proprietary accounts the date established for the account in the Industry Member or in a system of the Industry Member or the date when proprietary trading began in the account (i.e., the date on which the first orders were submitted from the account). The Account Effective Date will be no later than the date trading occurs at the Industry Member or in the Industry Member's system.

(2) The term *Active Account* means an account that has had activity in Eligible Securities within the last six months.

(3) The term *Allocation* means

(i) The placement of shares or contracts into the same account for which an order was originally placed; or

(ii) The placement of shares or contracts into an account based on allocation instructions (e.g., subaccount allocations, delivery versus payment ("DVP") allocations).

(4) The term *Allocation Report* means a report made to the Central Repository by an Industry Member that identifies the Firm Designated ID for any account(s), including subaccount(s), to which executed shares/contracts are allocated and provides:

(i) The security that has been allocated;

(ii) The identifier of the firm reporting the allocation;

(iii) The price per share/contract of shares/contracts allocated;

(iv) The side of shares/contracts allocated;

(v) The number of shares/contracts allocated to each account;

(vi) The time of the allocation;

(vii) Allocation ID, which is the internal allocation identifier assigned to the allocation event by the Industry Member;

(viii) Trade date;

(ix) Settlement date;

(x) IB/correspondent CRD Number (if applicable);

(xi) FDID of new order(s) (if available in the booking system);

(xii) Allocation instruction time (optional);

(xiii) If account meets the definition of institution under FINRA Rule 4512(c);

(xiv) Type of allocation (allocation to a custody account, allocation to a DVP account, step-out, correspondent flip, allocation to a firm owned or controlled account, or other non-reportable transactions (e.g., option exercises, conversions);

(xv) For DVP allocations, custody broker-dealer clearing number (prime broker) if the custodian is a U.S. broker-dealer, DTCC number if the custodian is a U.S. bank, or a foreign indicator, if the custodian is a foreign entity; and

(xvi) If an allocation was cancelled, a cancel flag indicating that the allocation was cancelled, and a cancel timestamp, which represents the time at which the allocation was cancelled; provided, for the avoidance of doubt, any such Allocation Report shall not be required to be linked to particular orders or executions.

(5) The term *ATS* means an alternative trading system, as defined in Rule 300(a)(1) of Regulation ATS under the Exchange Act.

(6) The term *Business Clock* means a clock used to record the date and time of any Reportable Event required to be reported under this section.

(7) The term *CAT-Order-ID* means a unique order identifier or series of unique order identifiers that allows the Central Repository to efficiently and accurately link all Reportable Events for an order, and all orders that result from the aggregation or disaggregation of such order.

(8) The term *CAT-Reporter-ID* shall mean, with respect to each national securities exchange, national securities association, and member of a national securities exchange

or national securities association, a code that uniquely and consistently identifies such person for purposes of providing data to the Central Repository.

(9) The term *CAT Reporter* means each national securities exchange, national securities association, and Industry Member that is required to record and report information to the Central Repository pursuant to this section.

(10) The term *CAT Reporting Agent* means a third party that enters into an agreement with an Industry Member pursuant to which the CAT Reporting Agent agrees to fulfill such Industry Member's reporting obligations under this section.

(11) The term *CCID Generation Data* means the Transformed Identifier and Transformed Identifier Type.

(12) The term *CCID Transaction Enrichment Data* means the Firm Designated ID, Date FDID Opened, Date FDID Closed, Customer Role Start Date, and Customer Role End Date.

(13) The term *Central Repository* means the repository responsible for the receipt, consolidation, and retention of all information reported to the Commission or designee pursuant to this section.

(14) The term *Client Account* means, for the purposes of an Allocation and Allocation Report, any account or subaccount that is not owned or controlled by the Industry Member.

(15) The term *Customer* means:

(i) The account holder(s) of the account at an Industry Member originating the order; and

(ii) Any person from whom the Industry Member is authorized to accept trading

instructions for such account, if different from the account holder(s).

(16) The term *Customer Role End Date* means the date the Customer is no longer associated with the relevant account for the order.

(17) The term *Customer Role Start Date* means the date the Customer became associated with the relevant account for the order.

(18) The term *Date FDID Closed* means the date the relevant account for the order was closed (or relationship or entity identifier was ended) at the Industry Member.

(19) The term *Date FDID Opened* means the date the relevant account for the order was opened; except, however, that

(i) In those circumstances in which an Industry Member has established a trading relationship with an institution but has not established an account with that institution, the Industry Member will provide the Account Effective Date in lieu of the Date FDID Opened; and

(ii) In those circumstances in which the relevant account was established prior to the time the Industry Member begins reporting to the Central Repository and no "date account opened" is available for the account, the Industry Member will provide the Account Effective Date in the following circumstances:

(A) Where an Industry Member changes back office providers or clearing firms and the date account opened is changed to the date the account was opened on the new back office/clearing firm system;

(B) Where an Industry Member acquires another Industry Member and the date account opened is changed to the date the account was opened on the post-merger back office/clearing firm system;

(C) Where there are multiple dates associated with an account in an Industry Member's system, and the parameters of each date are determined by the individual Industry Member; and

(D) Where the relevant account is an Industry Member proprietary account.

(20) The term *Eligible Security* includes (i) all NMS Securities and (ii) all OTC Equity Securities.

(21) The term *Firm Designated ID* means

(i) A unique and persistent identifier for each trading account designated by Industry Members for purposes of providing data to the Central Repository, provided, however, such identifier may not be the account number for such trading account if the trading account is not a proprietary account;

(ii) A unique and persistent relationship identifier when an Industry Member does not have an account number available to its order handling and/or execution system at the time of order receipt, provided, however, such identifier must be masked; or

(iii) A unique and persistent entity identifier when an employee of an Industry Member is exercising discretion over multiple client accounts and creates an aggregated order for which a trading account number of the Industry Member is not available at the time of order origination where each such identifier is unique among all identifiers from any given Industry Member.

(22) The term *Foreign TID Country Code* means the country that issued the foreign identifier used to create the Transformed Identifier.

(23) The term *Foreign TID Type* means, for foreign customers, the type of foreign identifier used to create the Transformed Identifier (e.g., passport, Legal Entity Identifier ("LEI"), or driver's license).

(24) The term *Industry Member* means a member of a national securities exchange or a member of a national securities association that is required to record and report information pursuant to this section.

(25) The term *Industry Member Data* shall mean the information required to be recorded and reported pursuant to paragraph (i) of this section.

(26) The term *Listed Option* or *Option* shall have the meaning set forth in Rule 600(b) of Regulation NMS.

(27) The term *Manual Order Event* means a non-electronic communication of order-related information for which CAT Reporters must record and report the time of the event.

(28) The term *Material Terms of the Order* includes the NMS Security or OTC Equity Security symbol; security type; price (if applicable); size (displayed and non-displayed); side (buy/sell); order type; if a sell order, whether the order is long, short, short exempt; open/close indicator (except on transactions in equities); time in force (if applicable); if the order is for a Listed Option, option type (put/call), option symbol or root symbol, underlying symbol, strike price, expiration date, and open/close (except on market maker quotations); and any special handling instructions.

(29) The term *NMS Security* means any security or class of securities for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan, or an effective national market system plan for reporting

transactions in Listed Options.

(30) The term *Options Exchange* means a registered national securities exchange or automated trading facility of a registered securities association that trades Listed Options.

(31) The term *Options Market Maker* means a broker-dealer registered with an exchange for the purpose of making markets in options contracts traded on the exchange.

(32) The term *Order* or *order*, with respect to Eligible Securities, shall include:

(i) Any order received by an Industry Member from any person;

(ii) Any order originated by an Industry Member; or

(iii) Any bid or offer.

(33) The term *OTC Equity Security* means any equity security, other than an NMS Security, subject to prompt last sale reporting rules of a registered national securities association and reported to one of such association's equity trade reporting facilities.

(34) The term *Received Industry Member Data* shall mean the information required to be recorded and reported pursuant to paragraph (i)(2) of this section.

(35) The term *Recorded Industry Member Data* shall mean the information required to be recorded and reported pursuant to paragraph (i)(1) of this section.

(36) The term *Reference Data* shall mean CCID Generation Data, CCID Transaction Enrichment Data, customer type, account type, clearing broker, branch office, registered representative, and individual’s role in the account.

(37) The term *Reportable Event* includes, but is not limited to, the original receipt or origination, modification, cancellation, routing, execution (in whole or in part) and allocation of an order, and receipt of a routed order.

(38) The term *SRO* means any self-regulatory organization within the meaning of section

3(a)(26) of the Exchange Act.

(39) The term *SRO-Assigned Market Participant Identifier* means an identifier assigned to an Industry Member by an SRO, or an identifier used by an SRO.

(40) The term *Technical Specifications* means technical specifications that provide detailed instructions regarding the submission of data to the Commission or its designee for entry into the Central Repository and that are made available on a publicly available website maintained by the Commission or its designee.

(41) The term *Trading Day* shall mean, for purposes of reporting by Industry Members, as the period beginning immediately after 4:15 p.m. and no fractions of a second Eastern Time on one trade date and ending at exactly 4:15 p.m. and no fractions of a second Eastern Time on the next trade date, except that a Trading Day which is also an early close will end 15 minutes after market close. The term Trading Day shall mean, for purposes of reporting by national securities exchanges and national securities associations, as the period beginning at 8:00 p.m. Eastern Time on the calendar day immediately preceding regular trading hours (as defined in Rule 600(b) of Regulation NMS) and ending at 8:00 p.m. Eastern Time on the same calendar day as regular trading hours (as defined in Rule 600(b) of Regulation NMS). Weekends, or any day that all equities or options national securities exchanges are closed or regular trading hours (as defined in Rule 600(b) of Regulation NMS) do not occur, are not considered a Trading Day.

(42) The term *Transformed Identifier* or *TID* shall mean a transformed version of the input used to identify unique Customers, where such inputs may include, but are not limited to, individual tax payer identification number or social security number

("SSN/ITIN"), Employer Identification Number (EIN, including QI-EIN, WP-EIN, and WT-EIN), or certain foreign identifiers.

(43) The term *Transformed Identifier Type* or *TID Type* means the type of identifier used to create the Transformed Identifier (e.g., SSN/ITIN, EIN or foreign identifier).

(b) Applicable Securities.

(1) Each national securities exchange shall record and report to the Central Repository the information set forth in paragraph (h) of this section for each NMS Security registered or listed for trading on such exchange or admitted to unlisted trading privileges on such exchange.

(2) Each national securities association shall record and report to the Central Repository the information set forth in paragraph (h) of this section for each Eligible Security for which transaction reports are required to be submitted to a national securities association.

(3) Each Industry Member shall record and report to the Central Repository the information set forth in paragraph (i) of this section for each NMS Security registered or listed for trading on such exchange or admitted to unlisted trading privileges on such exchange.

(4) Each Industry Member shall record and report to the Central Repository the information set forth in paragraph (i) of this section for each Eligible Security for which transaction reports are required to be submitted to a national securities association.

(c) Clock Synchronization and Business Clocks.

(1) Clock Synchronization. For purposes of reporting to the Central Repository, each national securities exchange and national securities association must synchronize its Business Clocks at a minimum to within 100 microseconds of the time maintained by the

National Institute of Standards and Technology ("NIST"), consistent with industry standards. For purposes of reporting to the Central Repository, each Industry Member must synchronize their respective Business Clocks at a minimum to within fifty (50) milliseconds of the time maintained by the NIST, and maintain such a synchronization. The tolerance provided for in this paragraph includes all of the following: the difference between the NIST atomic clock and the CAT Reporter's Business Clock, the transmission delay from the source, and the amount of drift of the CAT Reporter's Business Clock.

(i) Manual Order Events and Allocation Reports. Notwithstanding the above requirements, each national securities exchange, national securities association, and Industry Member must synchronize their Business Clocks used solely for Manual Order Events and Business Clocks used solely for the time of allocation on Allocation Reports to within one second of the time maintained by the NIST atomic clock, consistent with industry standards, and maintain such synchronization.

(ii) Daily Synchronization Requirement. Business Clocks must be synchronized every business day before market open to ensure that timestamps for Reportable Events are accurate. To maintain clock synchronization, Business Clocks must be checked against the NIST atomic clock and resynchronized, as necessary, throughout the day.

(2) Documentation. National securities exchanges, national securities associations, and Industry Members must document and maintain their synchronization procedures for Business Clocks. National securities exchanges, national securities associations, and

Industry Members must keep a log of the times when they synchronize their Business Clocks and the results of the synchronization process. This log should include notice of any time a Business Clock drifts more than the applicable tolerance specified in paragraph (c) of this section. Such log must include results for a period of not less than three years ending on the then current date, or for the entire period for which the national securities exchange, national securities association, or Industry Member has been required to comply with this section if less than three years.

(3) Certification. Each national securities exchange, national securities association and Industry Member subject to this section shall certify that its Business Clocks satisfy the synchronization requirements set forth in paragraph (c)(1) of this section on an annual basis.

(4) Violation Reporting. National securities exchanges, national securities associations, and Industry Members with Business Clocks must report to the Commission or its designee violations of paragraph (c)(1) of this section. A national securities exchange, national securities association, or Industry Member that engages in a pattern or practice of reporting Reportable Events outside of the required clock synchronization time period as set forth in paragraph (c)(1) of this section without reasonable justification or exceptional circumstances may be considered in violation of this section.

(d) Timestamps. Subject to paragraphs (1) and (2) below, each CAT Reporter shall record and report to the Central Repository with time stamps in milliseconds.

(1) Reporting in finer increments. To the extent that a CAT Reporter's order handling or execution systems utilize time stamps in increments finer than milliseconds, such CAT Reporter shall record and report to the Central Repository with time stamps in such finer

increment up to nanoseconds; provided, that CAT Reporters that capture timestamps in increments more granular than nanoseconds must truncate the timestamps after the nanosecond level for submission to the Central Repository, rather than rounding such timestamps up or down.

(2) Manual Order Events and Time of Allocation on Allocation Reports. National securities exchanges, national securities associations, and Industry Members are permitted to record and report:

(i) Manual Order Events to the Central Repository in increments up to and including one second, provided that CAT Reporters shall be required to record and report the time when a Manual Order Event has been captured electronically in an order handling and execution system of such CAT Reporter in milliseconds; and

(ii) The time of allocation on Allocation Reports in increments up to and including one second.

(e) Connectivity and Data Transmission.

(1) Data Transmission. Each CAT Reporter shall transmit data as required under this section to the Central Repository for consolidation and storage utilizing such method(s) and format(s) and according to such guidance as may be provided by the Commission or its designee.

(2) Connectivity. Each CAT Reporter shall connect to the Central Repository using a secure method(s) and encrypted internet connectivity, including but not limited to private line(s) and virtual private network connection(s) over public lines.

(3) CAT Reporting Agents. Any Industry Member may enter into an agreement with a

CAT Reporting Agent pursuant to which the CAT Reporting Agent agrees to fulfill the reporting obligations of such Industry Member under this section. Any such agreement shall be evidenced in writing, which shall specify the respective functions and responsibilities of each party to the agreement that are required to effect full compliance with the requirements of this section. All written documents evidencing such agreement must be maintained by each party to the agreement. In addition, notwithstanding the existence of an agreement described in this paragraph, each Industry Member remains primarily responsible for compliance with the requirements of this section.

(f) Timing of Recording and Reporting.

(1) Each CAT Reporter shall record contemporaneously with the applicable Reportable Event.

(2) Industry Members shall report:

(i) Recorded Industry Member Data to the Central Repository by 8:00 a.m. Eastern Time on the Trading Day following the day the Industry Member records such Recorded Industry Member Data; and

(ii) Received Industry Member Data to the Central Repository by 8:00 a.m. Eastern Time on the Trading Day following the day the Industry Member receives such Received Industry Member Data.

(3) National securities exchanges and national securities associations shall report the data required by paragraph (h) of this section to the Central Repository by 8:00 a.m. Eastern Time on the Trading Day following the day the national securities exchange or national securities association records such data.

(4) CAT Reporters may voluntarily report prior to the applicable 8:00 a.m. Eastern Time

deadline.

(g) Security Symbology.

(1) For each exchange-listed Eligible Security, each CAT Reporter shall report to the Central Repository using the symbology format of the exchange listing the security.

(2) For each Eligible Security that is not exchange-listed, each CAT Reporter shall report to the Central Repository using such symbology format as established by the Commission or its designee.

(h) Recording and Reporting National Securities Exchanges and National Securities Associations Data. National securities exchanges and national securities associations are required to record and report data to the Central Repository as required by this section in a manner that ensures the timeliness, accuracy, integrity, and completeness of such data, sufficient for an accurate, time-sequenced record of orders beginning with the receipt or origination of an order by a member of a national securities exchange or national securities association and further documenting the life of the order through the process of routing, modification, cancellation, and execution (in whole or in part) of the order.

(1) Each national securities exchange and national securities association shall record and electronically report to the Central Repository the following details for each order and each Reportable Event, as applicable, in the manner prescribed by the Technical Specifications:

(i) For original receipt or origination of an order:

(A) Firm Designated ID(s) for each Customer;

(B) CAT-Order-ID;

(C) SRO-Assigned Market Participant Identifier of the Industry Member

receiving or originating the order;

(D) Date of order receipt or origination;

(E) Time of order receipt or origination (using timestamps pursuant to paragraph (d) of this section); and

(F) Material Terms of the Order;

(ii) For the routing of an order:

(A) CAT-Order-ID;

(B) Date on which the order is routed;

(C) Time at which the order is routed (using timestamps pursuant to paragraph (d) of this section);

(D) SRO-Assigned Market Participant Identifier of the Industry Member, national securities exchange, or national securities association routing the order;

(E) SRO-Assigned Market Participant Identifier of the Industry Member, national securities exchange, or national securities association to which the order is being routed;

(F) If routed internally at the Industry Member, the identity and nature of the department or desk to which the order is routed; and

(G) Material Terms of the Order;

(iii) For the receipt of an order that has been routed, the following information:

(A) CAT-Order-ID;

(B) Date on which the order is received;

(C) Time at which the order is received (using timestamps pursuant to

paragraph (d) of this section);

(D) SRO-Assigned Market Participant Identifier of the Industry Member, national securities exchange, or national securities association receiving the order;

(E) SRO-Assigned Market Participant Identifier of the Industry Member, national securities exchange, or national securities association routing the order; and

(F) Material Terms of the Order;

(iv) If the order is modified or cancelled:

(A) CAT-Order-ID;

(B) Date the modification or cancellation is received or originated;

(C) Time at which the modification or cancellation is received or originated (using timestamps pursuant to paragraph (d) of this section);

(D) Price and remaining size of the order, if modified;

(E) Other changes in the Material Terms of the Order, if modified; and

(F) Whether the modification or cancellation instruction was given by the Customer or was initiated by the Industry Member, national securities exchange, or national securities association;

(v) If the order is executed, in whole or in part:

(A) CAT-Order-ID;

(B) Date of execution;

(C) Time of execution (using timestamps pursuant to paragraph (d) of this section);

(D) Execution capacity (principal, agency or riskless principal);

(E) Execution price and size;

(F) SRO-Assigned Market Participant Identifier of the Industry Member, national securities exchange, or national securities association executing the order; and

(G) Whether the execution was reported pursuant to an effective transaction reporting plan or the Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information; and

(vi) Information or events as prescribed by the Technical Specifications, including for use by the Central Repository to link and/or create an order event lifecycle using a daisy chain approach.

(2) Each national securities exchange and national securities association shall report to the Central Repository, on a daily basis, all SRO-Assigned Market Participant Identifiers used by its Industry Members or itself and information to identify each such Industry Member, including CRD number and LEI if such LEI has been obtained, and itself, including LEI, if such LEI has been obtained.

(3) Reportable Events required to be reported by Options Market Makers pursuant to paragraphs (i)(1)(ii) and (i)(1)(iv) of this section shall be reported to the Central Repository by an Options Exchange in lieu of the reporting of such information by the Options Market Maker. Options Exchanges must report the time at which a quote in a Listed Option is sent to the Options Exchange, and, if applicable, any subsequent quote modifications and/or cancellation time when such modification or cancellation is originated by the Options Market Maker, as reported to the Options Exchange by the

Options Market Maker pursuant to paragraph (i)(3) of this section.

(i) Recording and Reporting Industry Member Data. Industry Members are required to record and report data to the Central Repository as required by this section in a manner that ensures the timeliness, accuracy, integrity, and completeness of such data, sufficient for an accurate, time-sequenced record of orders beginning with the receipt or origination of an order by a member of a national securities exchange or national securities association and further documenting the life of the order through the process of routing, modification, cancellation, and execution (in whole or in part) of the order.

(1) Each Industry Member shall record and electronically report to the Central Repository the following details for each order and each Reportable Event, as applicable, in the manner prescribed by the Technical Specifications:

(i) For original receipt or origination of an order:

(A) Firm Designated ID(s) for each Customer;

(B) CAT-Order-ID;

(C) SRO-Assigned Market Participant Identifier of the Industry Member receiving or originating the order;

(D) Date of order receipt or origination;

(E) Time of order receipt or origination (using timestamps pursuant to paragraph (d) of this section);

(F) Material Terms of the Order;

(G) The unique identification of any appropriate information barriers in place at the department within the Industry Member where the order was received or originated;

(H) Any request by a Customer that a limit order not be displayed, or that a block size limit order be displayed, pursuant to applicable rules;

(I) The nature of the department or desk that originated the order, or received the order from a Customer;

(J) The type of account holder for which the order is submitted;

(K) For an Industry Member that operates an ATS:

(*1*) The ATS's unique identifier for the order type of the order;

(*2*) The national best bid and national best offer (or relevant reference price) at the time of order receipt or origination, and the date and time at which the ATS recorded such national best bid and national best offer (or relevant reference price);

(*3*) The identification of the market data feed used by the ATS to record the national best bid and national best offer (or relevant reference price) for purposes of paragraph (K)(2). If for any reason, the ATS uses an alternative market data feed than what was reported on its ATS data submission, the ATS must provide notice to the Central Repository of the fact that an alternative source was used, identify the alternative source, and specify the date(s), time(s) and securities for which the alternative source was used;

(*4*) The sequence number assigned to the receipt or origination of the order by the ATS's matching engine;

(*5*) Whether the ATS displays subscriber orders outside the ATS (other than to alternative trading system employees). If an ATS

does display subscriber orders outside the ATS (other than to alternative trading system employees), indicate whether the order is displayed to subscribers only or through publicly disseminated quotation data.

(ii) For the routing of an order:

(A) CAT-Order-ID;

(B) Date on which the order is routed;

(C) Time at which the order is routed (using timestamps pursuant to paragraph (d) of this section);

(D) SRO-Assigned Market Participant Identifier of the Industry Member routing the order;

(E) SRO-Assigned Market Participant Identifier of the Industry Member or national securities exchange or national securities association to which the order is being routed;

(F) If routed internally at the Industry Member, the identity and nature of the department or desk to which the order is routed, and the unique identification of any appropriate information barriers in place at the department within the Industry Member to which the order was transmitted;

(G) Material Terms of the Order; and

(H) For Industry Members that operate ATSs, the sequence number assigned to the routing of the order by the ATS's matching engine.

(iii) For the receipt of an order that has been routed, the following information:

(A) CAT-Order-ID;

(B) Date on which the order is received;

(C) Time at which the order is received (using timestamps pursuant to paragraph (d) of this section);

(D) SRO-Assigned Market Participant Identifier of the Industry Member receiving the order;

(E) SRO-Assigned Market Participant Identifier of the Industry Member or national securities exchange or national securities association routing the order;

(F) Material Terms of the Order;

(G) The unique identification of any appropriate information barriers in place at the department within the Industry Member which received the order;

(H) The nature of the department or desk that received the order;

(I) Any request by a Customer that a limit order not be displayed, or that a block size limit order be displayed, pursuant to applicable rules; and

(J) For an Industry Member that operates an ATS:

(*1*) The ATS's unique identifier for the order type of the order;

(*2*) The national best bid and national best offer (or relevant reference price) at the time of order receipt, and the date and time at which the ATS recorded such national best bid and national best offer (or relevant reference price);

(*3*) The identification of the market data feed used by the ATS to

record the national best bid and national best offer (or relevant reference price) for purposes of paragraph (J)(2). If for any reason, the ATS uses an alternative market data feed than what was reported on its ATS data submission, the ATS must provide notice to the Central Repository of the fact that an alternative source was used, identify the alternative source, and specify the date(s), time(s) and securities for which the alternative source was used;

(*4*) The sequence number assigned to the receipt of the order by the ATS's matching engine;

(*5*) Whether the ATS displays subscriber orders outside the ATS (other than to alternative trading system employees). If an ATS does display subscriber orders outside the ATS (other than to alternative trading system employees), indicate whether the order is displayed to subscribers only or through publicly disseminated quotation data.

(iv) If the order is modified or cancelled:

(A) CAT-Order-ID;

(B) Date the modification or cancellation is received or originated;

(C) Time at which the modification or cancellation is received or originated (using timestamps pursuant to paragraph (d) of this section);

(D) Price and remaining size of the order, if modified;

(E) Other changes in the Material Terms of the Order, if modified;

(F) Whether the modification or cancellation instruction was given by the

Customer or was initiated by the Industry Member;

(G) The unique identification of any appropriate information barriers at the department within the Industry Member which received or originated the modification;

(H) Any request by a Customer that a limit order not be displayed, or that a block size limit order be displayed, pursuant to applicable rules;

(I) For an Industry Member that operates an ATS:

(*1*) The ATS's unique identifier for the order type of the order;

(*2*) The national best bid and national best offer (or relevant reference price) at the time of order modification or cancellation, and the date and time at which the ATS recorded such national best bid and national best offer (or relevant reference price);

(*3*) The identification of the market data feed used by the ATS to record the national best bid and national best offer (or relevant reference price) for purposes of paragraph (I)(2). If for any reason, the ATS uses an alternative market data feed than what was reported on its ATS data submission, the ATS must provide notice to the Central Repository of the fact that an alternative source was used, identify the alternative source, and specify the date(s), time(s) and securities for which the alternative source was used;

(*4*) The sequence number assigned to the modification or cancellation of the order by the ATS's matching engine;

(*5*) Each time the ATS's matching engine re-prices an order or

changes the display quantity of an order, the time of such modification and the applicable new price or size.

(v) if the order is executed, in whole or in part:

(A) CAT-Order-ID;

(B) Date of execution;

(C) Time of execution (using timestamps pursuant to paragraph (d) of this section);

(D) Execution capacity (principal, agency or riskless principal);

(E) Execution price and size;

(F) SRO-Assigned Market Participant Identifier of the Industry Member executing the order;

(G) Whether the execution was reported pursuant to an effective transaction reporting plan or the Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information; and

(H) For Industry Members that operate ATSs:

(*1*) The national best bid and national best offer (or relevant reference price) at the time of execution, and the date and time at which the ATS recorded such national best bid and national best offer (or relevant reference price);

(*2*) The identification of the market data feed used by the ATS to record the national best bid and national best offer (or relevant reference price) for purposes of paragraph (H)(1). If for any reason, the ATS uses an alternative market data feed than what was

reported on its ATS data submission, the ATS must provide notice to the Central Repository of the fact that an alternative source was used, identify the alternative source, and specify the date(s), time(s) and securities for which the alternative source was used; and

(*3*) The sequence number assigned to the execution of the order by the ATS's matching engine.

(vi) Information or events as prescribed by the Technical Specifications, including for use by the Central Repository to link and/or create an order event lifecycle using a daisy chain approach or link Customer orders to representative orders created in firm accounts for the purpose of facilitating a Customer order.

(2) Subject to other provisions of this section, each Industry Member shall record and report to the Central Repository the following, as applicable in the manner prescribed by the Technical Specifications:

(i) If the order is executed, in whole or in part:

(A) SRO-Assigned Market Participant Identifier of the clearing broker, if applicable; and

(B) CAT-Order-ID of any contra-side order(s);

(ii) If the trade is cancelled, a cancelled trade indicator;

(iii) For original receipt or origination of an order, the CCID Generation Data for the relevant account of the order, and the CCID Transaction Enrichment Data for the relevant Customer of the order;

(iv) An Industry Member that operates an ATS must provide to the Central

Repository:

(A) A list of all of its order types twenty (20) days before such order types become effective; and

(B) Any changes to its order types twenty (20) days before such changes become effective. An identifier shall not be required for market and limit orders that have no other special handling instructions.

(v) If an Industry Member is required to submit and submits a trade report for a trade, and, if the trade is cancelled, a cancellation, to one of FINRA's Trade Reporting Facilities, OTC Reporting Facility or Alternative Display Facility pursuant to applicable SRO rules, and the Industry Member is required to report the corresponding execution and/or cancellation to the Central Repository:

(A) The Industry Member is required to report to the Central Repository the trade identifier reported by the Industry Member to such FINRA facility for the trade when the Industry Member reports the execution of an order or cancellation of an order pursuant to this section, and such trade identifier must be unique;

(B) If the order is executed in whole or in part, and the Industry Member submits the trade report to one of FINRA's Trade Reporting Facilities, OTC Reporting Facility or Alternative Display Facility pursuant to applicable SRO rules, the Industry Member is not required to submit the SRO-Assigned Market Participant Identifier of the clearing broker pursuant to this section; provided, however, if the Industry Member does not report the clearing number of the clearing broker to such FINRA

facility for a trade, or does not report the unique trade identifier to the Central Repository as required by this section, then the Industry Member would be required to record and report to the Central Repository the clearing number of the clearing broker as well as information about the contra party to the trade; and

(C) If the trade is cancelled and the Industry Member submits the cancellation to one of FINRA's Trade Reporting Facilities, OTC Reporting Facility or Alternative Display Facility pursuant to applicable SRO rules, the Industry Member is not required to submit the cancelled trade indicator pursuant to this section; provided, however, if the Industry Member does not report a cancellation for a cancelled trade to such FINRA facility, or does not report the unique trade identifier as required by this section, then the Industry Member would be required to record and report to the Central Repository a cancelled trade indicator as well as a cancelled trade timestamp;

(vi) An Allocation Report any time the Industry Member performs an Allocation to a Client Account, whether or not the Industry Member was the executing broker for the trade; and

(vii) For the original receipt or origination of an order to sell an equity security, whether the order is for a short sale effected by a market maker in connection with bona fide market making activities in the security for which the exception in Rule 203(b)(2)(iii) of Regulation SHO is claimed.

(3) Each Industry Member that is an Options Market Maker is not required to report to

the Central Repository the information required by paragraphs (i)(1)(ii) and (i)(1)(iv) of this section. Instead, each Industry Member that is an Options Market Maker shall report to the Options Exchange the time at which its quote in a Listed Option is sent to the Options Exchange, and, if applicable, any subsequent quote modification time and/or cancellation time when such modification or cancellation is originated by the Options Market Maker.

(4) Each Industry Member that operates an ATS that trades OTC Equity Securities shall provide to the Central Repository:

(i) The best bid and best offer for each OTC Equity Security traded on such ATS;

(ii) An indication of whether each bid and offer for OTC Equity Securities was solicited or unsolicited; and

(iii) The unpriced bids and offers for each OTC Equity Security traded on such ATS.

(5) Each Industry Member shall submit to the Central Repository information sufficient to identify such Industry Member, including CRD number and LEI, if such LEI has been obtained, prior to such Industry Member's commencement of reporting to the Central Repository, and keep such information up to date as necessary.

(j) Error Correction.

(1) CAT Reporters must report data to the Central Repository in a manner that ensures the timeliness, accuracy, integrity, and completeness of such data. Any CAT Reporter having an obligation to report under this section that discovers an error in information previously reported pursuant to this section shall correct such error(s). For each CAT Reporter for which errors in CAT Reporter data submitted to the Central Repository have been

identified, such CAT Reporter shall submit corrected data to the Central Repository by 8:00 a.m. Eastern Time on T+3.

(2) Each CAT Reporter shall establish, maintain, and enforce written policies and procedures that are reasonably designed to ensure that it complies with any obligations to report information pursuant to this section. Each CAT Reporter shall review and update these policies and procedures at least annually and maintain a record of the annual review and update.

(k) Reference Data Reporting.

(1) Each Industry Member must submit to the Commission or its designee the following for each of its Customers with an Active Account(s) prior to the Industry Member's commencement of reporting to the Commission or its designee:

(i) TID and TID Type, or, for Customers for which a foreign identifier is used for the generation of the Transformed Identifier, TID, Foreign TID Country Code, and Foreign TID Type;

(ii) Firm Designated ID;

(iii) Date FDID Opened;

(iv) Date FDID Closed;

(v) Customer Role Start Date;

(vi) Customer Role End Date;

(vii) Customer type;

(viii) Account type;

(ix) Clearing broker;

(x) Branch office;

(xi) Registered representative;

(xii) Individual's role in the account.

(2) Daily Updates to Reference Data. Each Industry Member shall submit to the Commission or its designee any updates, additions or other changes to the information required by paragraph (k)(1) of this section, for each of its Customers with an Active Account on a daily basis. Industry Members submitting new or modified Reference Data must provide it to the Central Repository no later than 8:00 a.m. Eastern Time on T+1.

(3) Periodic Updates to Reference Data. On a periodic basis as designated by the Commission or its designee, each Industry Member shall submit to the Central Repository a complete set of Firm Designated IDs, the Transformed Identifier, and other information required by paragraph (k)(1) of this section for each of its Customers with an Active Account.

(4) Error Correction for Reference Data. CAT Reporters must report data to the Central Repository in a manner that ensures the timeliness, accuracy, integrity, and completeness of such data. Any CAT Reporter having an obligation to report under this section that discovers an error in information previously reported pursuant to paragraph (k)(1) of this section shall correct such error(s). For each Industry Member for which errors in the information required by paragraph (k)(1) of this section, for each of its Customers with an Active Account submitted to the Central Repository have been identified by the Commission, its designee, or otherwise, such Industry Member shall submit corrected data to the Central Repository by 5:00 p.m. Eastern Time on T+3.

(l) Exceptions to Reporting Requirements.

(1) Notwithstanding any other provision of this section, the following categories of data

shall not be required to be reported to the Commission or its designee, and no CAT Reporter shall be required to report data to the Central Repository regarding:

(i) The following verbal and manual activity:

(A) Floor broker verbal announcements of firm orders on an exchange that are otherwise reported as systematized orders;

(B) Market maker verbal announcements of firm quotes on an exchange trading floor;

(C) Telephone discussions between an Industry Member and a client that may involve firm bid and offer communications; and

(D) Unstructured electronic and verbal communications that are not currently captured by Industry Member order management or execution systems (e.g., electronic chats, text messages);

(ii) Bids and/or offers made in response to a request for a quote or other form of solicitation response provided in a standard electronic format that requires further action by the responder providing the quote in order to execute or cause a trade to be executed, however, Industry Members are still required to report other required information regarding the request for quote or solicitation process as required by paragraph (i) of this section;

(iii) Information necessary to link representative orders to Customer orders when an Industry Member does not have a systematic or direct link between their order management systems and execution management systems, however, Industry Members are still required to report other required information regarding the Customer and representative orders as required by this section;

(iv) For Industry Members that route an order, applicable port-level settings that are used to communicate Material Terms of an Order and are not communicated by the Industry Member routing such order through a port that is configured to apply port-level settings, regardless of whether the port is an exchange port or a port maintained by an alternative trading system or a broker-dealer, however, the recipient of an order that utilizes a port-level setting must report any port-level setting that is a Material Term of the Order as part of the same order receipt record pursuant to paragraphs (h) and (i) of this section.

(2) Rejected Messages. Notwithstanding any provision of this section, no national securities exchange or national securities association shall be required to record and electronically report to the Central Repository any order rejected by the national securities exchange or national securities association nor any Reportable Events related to such rejected order. For the avoidance of doubt, an order that is received by the national securities exchange or national securities association but not accepted by the national securities exchange or national securities association is an order rejected by the national securities exchange or national securities association for purposes of this paragraph.

(m) Consolidated Audit Trail – Recordkeeping. Notwithstanding the requirements of Rule 17a-1 and Rule 17a-4, each national securities exchange, national securities association, and Industry Member must maintain and preserve records of the information submitted under this section to the Commission or its designee for a period of at least three (3) years, with the first two (2) years of records in an easily accessible place.

PART 242—REGULATIONS M, SHO, ATS, AC, NMS, SE, AND SBSR, AND CUSTOMER MARGIN REQUIREMENTS FOR SECURITY FUTURES

3. The general authority citation for part 242 continues to read as follows:

Authority: 15 U.S.C. 77g, 77q(a), 77s(a), 78b, 78c, 78c-4, 78g(c)(2), 78i(a), 78j, 78k-1(c), 78*l*, 78m, 78n, 78o(b), 78o(c), 78o(g), 78q(a), 78q(b), 78q(h), 78w(a), 78dd-1, 78mm, 80a-23, 80a-29, and 80a-37, and 8343.

4. Remove and reserve § 242.613.

§ 242.613 [Reserved]

By the Commission.

Date: November 20, 2026.

Stephanie J. Fouse,

Assistant Secretary.