SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106349; File No. 4-757]

Joint Industry Plan; Order Approving the Third Amendment to the National Market System Plan Regarding Consolidated Equity Market Data to Revise the Revenue Allocation Formula

September 14, 2026.

I. Introduction

On June 2, 2026, the Operating Committee[1] of the Limited Liability Company Agreement of the CT Plan LLC ("CT Plan") filed with the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to section 11A of the Securities Exchange Act of 1934 ("Exchange Act")[2] and Rule 608 of Regulation National Market System ("Regulation NMS") thereunder,[3] a proposal[4] to revise the allocation of net revenues under the CT Plan among Members ("Amendment").[5] The Amendment, which represents the Third Amendment to the CT Plan, was published for comment in the Federal Register on June 17, 2026.[6] The Commission

[1] See CT Plan Art. IV, sec. 4.1.

[2] 15 U.S.C. 78k-1(a)(3).

[3] 17 CFR 242.608.

[4] See Letter from Jeff Kimsey, CT Plan Operating Committee Chair, dated June 1, 2026. Pursuant to section 4.3(b) of the CT Plan, certain actions of the Operating Committee require an affirmative vote of not less than two-thirds of all votes eligible to vote on a matter. Long Term Stock Exchange, Inc. ("LTSE") did not join in the submission of the proposal. See Securities Exchange Act Release No. 105680 (June 12, 2026), 91 FR 36633 at n.4 (June 17, 2026) ("Notice").

[5] The Members are: 24X National Exchange LLC, Cboe BYX Exchange, Inc., Cboe BZX Exchange, Inc., Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe Exchange, Inc., Financial Industry Regulatory Authority, Inc. ("FINRA"), Investors Exchange LLC, LTSE, MEMX LLC, MIAX PEARL, LLC, Nasdaq Texas, LLC, Nasdaq ISE, LLC, Nasdaq PHLX LLC, The Nasdaq Stock Market LLC, New York Stock Exchange LLC, NYSE American LLC, NYSE Arca, Inc., NYSE National, Inc., NYSE Texas, Inc. ("NYSE Texas"), and Texas Stock Exchange LLC.

[6] See Notice, supra note 4.

received comment on the Amendment and a response from the Operating Committee.[7] This order approves the Amendment.

II. Background

Exhibit D to the CT Plan provides for the allocation of net revenues received under the CT Plan among the Members. Generally, revenue is allocated through a two-step process that involves first, allocating revenue to individual securities and second, allocating such revenue to Members based on their respective quoting and trading activity in such individual securities.[8] Under the CT Plan, the Operating Committee has "full and complete discretion," subject to any required approval by its Members[9] and the requirements of Rule 608 of Regulation NMS,[10] to, among other things, take all such actions as it deems necessary or appropriate to accomplish the purposes of the CT Plan, including "designing a fair and reasonable revenue allocation formula for allocating plan revenues" and overseeing, reviewing, and revising that formula as needed,[11] as well as proposing amendments to the CT Plan.[12] The Amendment would impose a limit, or "cap," on the ratio of revenue distributed to each individual Member that is attributable to its quoting activity compared to revenue such Member receives for trading activity.

1. Purpose of Amendment

According to the Operating Committee, Members have observed a distinct pattern on some markets of quoting and trading activity, characterized by frequent or continuous quoting at

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7 Comments received can be found on the Commission's website at: https://www.sec.gov/comments/4-757/4-757.htm.

8 See Exhibit D of the CT Plan.

9 See supra note 4.

10 17 CFR 242.608.

11 See section 4.1(a)(vi) of the CT Plan.

12 See section 4.1(a)(i) of the CT Plan.

the national best bid and offer ("NBBO")—often in size and in high-priced securities—accompanied by relatively little increase in the level of trading activity on those venues.[13] The Operating Committee stated that this resulted in extreme distortions in how quote-based revenues were allocated among the Members, compared to trade-based revenues.[14] For example, according to the Operating Committee, LTSE's quote-to-trade ratio for 2024 was approximately 107:1 on Tape A, 70:1 on Tape B, and 88:1 on Tape C.[15] In addition, according to the Operating Committee, NYSE Chicago, Inc. (now NYSE Texas) also exhibited quote-to-trade ratios significantly higher than historical norms, often exceeding 20:1, in Tapes A and C beginning in 2021 and ending in 2024.[16] By comparison, according to the Operating Committee, from 2018 through the present, Members typically have maintained quote-to-trade ratios substantially less than 5:1 and allocations in excess of that ratio have historically occurred only under exceptional circumstances, such as the temporary distortions in quoting and trading related to the entry of new exchanges with low absolute trading and quoting volume.[17] The Operating Committee stated that the observed quoting activity undermined the Commission's objectives in adopting the revenue allocation formula in Regulation NMS and warranted a change to the CT Plan's revenue allocation formula to ensure those objectives are met.[18] According to the Operating

[13] See Notice, supra note 4 at 36634. The Operating Committee also stated that "much of the quoting activity responsible for high quote-to-trade ratios has involved quoting in relatively inactively traded securities." See Notice, supra note 4 at 36634 n.10.

[14] See Notice, supra note 4 at 36634.

[15] See Notice, supra note 4 at 36634.

[16] See Notice, supra note 4 at 36634.

[17] See Notice, supra note 4 at 36634.

[18] See Notice, supra note 4 at 36634 (stating that "[i]n revising the formula, the Commission determined that it should provide some allocation of revenue for quotations that contribute meaningfully to the consolidated data stream"); see also Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 at 37561-37566 (June 29, 2005) ("Regulation NMS Adopting Release") (discussing the new revenue allocation formula).

Committee, when quoting activity ceases to bear a meaningful relationship to trading, it becomes "less useful for price discovery and more likely to be associated with activity that distorts market data[.]"[19]

2. Description of Proposed Amendment

In the Amendment, the Operating Committee proposed to implement a ratio cap on the quote-to-trade revenue ratio. Specifically, under the Amendment, the amount of quote-related revenue received by a Member would be adjusted if it exceeded its allocated trading revenue by a ratio of more than five-to-one.[20] The Amendment would apply the ratio cap to each periodic distribution of CT Plan revenue to Members. As proposed, the amount of quoting revenue that exceeds the five-to-one ratio that would be otherwise payable to the Member would be redistributed to all other Members, including FINRA (to which the ratio cap does not apply).[21] The allocation of the excess to such other Members would be based on each Member's share of distributable quote revenue in relation to all quote revenue distributable to all such other Members. Furthermore, if the redistribution of revenue would cause a Member to exceed the 5:1 ratio, the excess revenue above the ratio would be further redistributed in the same way to other Members that have not exceed the ratio cap.[22] The Amendment also included a de minimis exception for Members with very low total quoting and trading activity, to recognize that such entities may temporarily exceed the 5:1 ratio due to statistical volatility without materially

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19 See Notice, supra note 4 at 36634.

20 See proposed section (a)(ii) of Exhibit D of the CT Plan and Notice, supra note 4 at 36635. According to the Operating Committee, the 5:1 threshold is based on an analysis of historical data from 2018 to 2024. The Operating Committee stated that during that time, excluding the 25 out of 318 distributions when the ratio cap would have been breached by various exchanges, the average quote-to-trade ratio would have been as follows: Tape A: 1.79, Tape B: 1.86; and Tape C 1.82. See Notice, supra note 4 at 36635.

21 See proposed section (a)(ii) of Exhibit D of the CT Plan and Notice, supra note 4 at 36635.

22 See proposed section (a)(ii) of Exhibit D of the CT Plan and Notice, supra note 4 at 36635.

affecting revenue distribution.[23] As proposed, the de minimis exception would not apply the ratio cap where a Member's total payment based on quoting activity does not exceed $50,000 during a calendar year.[24]

III. Discussion and Commission Findings

After careful consideration, the Commission is approving the Amendment. Rule 608 of Regulation NMS authorizes two or more self-regulatory organizations, acting jointly, to file with the Commission a proposed amendment to an effective national market system plan, and Rule 608 provides that the Commission shall approve an amendment to an effective national market system plan if it finds that the amendment is necessary or appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanisms of, a national market system, or otherwise in furtherance of the purposes of the Exchange Act.[25] For the reasons discussed below, the Commission concludes that the Amendment is appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Exchange Act consistent with Rule 608(b)(2) of Regulation NMS.[26]

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23 See proposed section (a)(ii) of Exhibit D of the CT Plan and Notice, supra note 4 at 36635. The Operating Committee stated that in 3 of the 25 times that the proposed ratio cap would have been exceeded between 2018 and 2024, one exchange that exceeded the ratio cap would have been eligible for receiving quote revenue under the de minimis exception. See Notice, supra note 4 at 36635.

24 See proposed section (a)(ii) of Exhibit D of the CT Plan and Notice, supra note 4 at 36635. According to the Operating Committee, the de minimis exception was selected based on reviewing data for new exchanges and ensuring that those new exchanges would not be affected by the ratio cap during their launch. See Notice, supra note 4 at 36635.

25 See 17 CFR 242.608(a)(1) and 17 CFR 242.608(b)(2).

26 See 17 CFR 242.608(b)(2). The Commission stated when it adopted Regulation NMS and the revenue allocation formula that "the language added to the Plans by the Allocation Amendment can be adjusted in the future pursuant to the normal process of Commission-approved amendments." See Regulation NMS Adopting Release, supra note 18 at 37561-62.

The Commission received comment letters on the Amendment. While one commenter "generally agree[s] with the Third Amendment as a corrective measure," the commenter stated that "it does not go far enough and does not remedy the structural deficiencies in the current [revenue allocation] formula,"[27] which it stated contributes to excessive exchange proliferation by "permitting exchanges to earn meaningful market data revenues without making commensurate contributions to trading activity, liquidity, or price discovery[.]"[28] According to this commenter, the Amendment only addresses a "narrow set of outlier outcomes" and would continue to "systematically award quote revenue at nearly double the rate of trade revenue even for exchanges operating well within the proposed cap."[29] Instead, the commenter made several recommendations, including (i) reducing overall CT Plan costs to ensure the CT Plan recovers "only those costs reasonably necessary to administer and operate" the CT Plan,[30] (ii) increasing the weighting assigned to trade executions since executions "provide the strongest evidence of price discovery[,]"[31] (iii) limiting quote credits, if the Commission determines that quotations should continue to receive credit under the revenue allocation formula, to NBBO setting quotations that result in executions to reward quotations that both introduce new pricing information to the marketplace and demonstrate that information's value through actual trading activity, [32] and (iv) establishing a minimum participation threshold as a prerequisite to sharing

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27 See Letter from Joanna Mallers, Secretary, PTG, dated July 8, 2026 ("PTG Letter") at 1.

28 PTG Letter at 1-2; see also Letter from Katie Kolchin, CFA, Managing Director, Head of Equity & Options Market Structure and Gerald O-Hara, Vice President & Assistant General Counsel, The Securities Industry and Financial Markets Association, dated July 22, 2026 ("SIFMA Letter") at 2.

29 PTG Letter at 2; see also SIFMA Letter at 1.

30 PTG Letter at 3; see also SIFMA Letter at 4-5.

31 PTG Letter at 3; see also SIFMA Letter at 3-4. According to one commenter, the current formula fails to distinguish between "quotations that establish the NBBO and facilitate trading, quotations that join an existing NBBO, and quotations that never result in executions at all." PTG Letter at 2.

32 PTG Letter at 3-4.

revenues.[33] One commenter stated that "[m]aking more fundamental changes to the formula requires a thoughtful approach because it will impact exchange and market participant behavior."[34] This commenter also provided data on 2025 and first quarter of 2026 revenue allocations and showed that three exchanges in 2025 and two exchanges in the first quarter of 2026 would have been impacted by the proposed quote-to-trade ratio of 5:1.[35]

Another commenter stated that the Commission should disapprove the Amendment.[36] The commenter stated that the current revenue allocation formula "reflects Commission-approved goals designed to remunerate contributions to price discovery"[37] and that there is no data that shows the existence of any deficiencies.[38] The commenter stated that the Amendment is "unsupported and controversial."[39] The commenter also stated that the current revenue allocation formula has been in place for over 20 years and rewards exchanges that contribute to

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33 PTG Letter at 4. See also SIFMA Letter at 1 (stating that the commenter plans to address, among other things, the revenue allocation formula "more broadly in our response to the Rule 611 Proposal") and Letter from William R. Harts, Chief Executive Officer, LTSE, dated July 8, 2026, at 6 ("LTSE Letter") (stating that if the Commission decides to revisit the revenue allocation formula, it should conduct a comprehensive re-examination). The Commission recently proposed to rescind Rule 611 of Regulation NMS and stated in that release that "[s]ome have criticized the formula's quoting component, which they argued has contributed to the creation of new exchanges and subsidizes exchanges that quote but rarely trade, thus providing minimal value to market participants." See Notice, supra note 4 at 36636. In this regard, the Commission requested comment on whether, and to what extent, revisions should be made to the revenue allocation formula. See Notice, supra note 4 at 36636. The comment period for the proposal to rescind Rule 611 was open until August 17, 2026. See Securities Exchange Release No. 105655 (June 11, 2026), 91 FR 36656 (June 17, 2026) ("Rule 611 Proposal"). For the reasons discussed herein, the Commission is approving the Amendment. However, the Commission will continue to consider all comments on whether, and to what extent, additional revisions should be made to the revenue allocation formula. Moreover, the Operating Committee has committed to overseeing a broader review of the revenue allocation formula. See Letter from Jeff Kimsey, CT Plan Operating Committee Chair, dated August 23, 2026 ("Response Letter") at 3.

34 SIFMA Letter at 1.

35 SIFMA Letter at 2-3.

36 LTSE Letter at 2. This commenter submitted a subsequent comment letter to "supplement the record" by attaching the comment letter it submitted on the Rule 611 Proposal. See Letter from Maliz Beams, Interim Chief Executive Officer, LTSE, dated August 28, 2026.

37 LTSE Letter at 1.

38 LTSE Letter at 1-2, 6.

39 LTSE Letter at 2.

price discovery by displaying high-quality quotations at the NBBO.[40] The commenter further stated that there are other legitimate reasons as to why quoting activity may not have a "meaningful relationship" to trading, including other venues quickly matching the NBBO; smart order routers prioritizing exchanges with historical liquidity; routers prioritizing venues with the largest displayed size; firms seeking to lower their costs by reaching certain exchange volume tiers; and competition from the over-the-counter market and other exchanges.[41] The commenter stated that the Amendment would create distorted incentives and potentially anti-competitive outcomes because exchanges with low quote-to-trade ratios would be less incentivized to encourage aggressive quoting that contributes to price discovery.[42]

In response to the foregoing, the Operating Committee stated that the Amendment "represents a measured and beneficial refinement to the existing allocation framework, directed at a specific issue[.]"[43] According to the Operating Committee, the Amendment addresses a discrete concern "that in certain circumstances, quote activity may generate revenue allocations that are disproportionate to trading activity and disconnected from meaningful market contribution."[44] Accordingly, the Operating Committee stated that future consideration of broader reforms to the allocation formula should not delay approval of the Amendment, which is an "incremental, practical correction to a discrete problem."[45] Further, approval of the Amendment would "not prevent the SEC or the Operating Committee from reviewing the

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40 LTSE Letter at 6.

41 LTSE Letter at 4-5.

42 LTSE Letter at 6.

43 Response Letter at 1.

44 Response Letter at 1.

45 Response Letter at 2-3.

remaining aspects of the formula at a future date."[46] The Operating Committee represented that the it remained "committed to overseeing a broader review of the . . . formula, especially in light of broader market reforms being considered by the SEC."[47]

As to one commenter stating that there may be other legitimate reasons as to why quoting activity may not have a meaningful relationship to trading,[48] the Operating Committee stated that this commenter had "not presented data demonstrating that an exchange subject to the cap provides the type of market contribution" suggested by the commenter.[49] Further, the Operating Committee stated that "Members typically have maintained quote-to-trade ratios substantially less than 5:1, and allocations in excess of that ratio have historically occurred only under exceptional circumstances,"[50] such as the entry of new exchanges, and that the commenter had "not provided data demonstrating that the temporary distortions are associated with what it considers to be meaningful quote-only participation."[51] The Operating Committee also stated that the Amendment "continues to recognize quote-based contribution by preserving quote-related allocation. It simply limits the extent to which quote-based allocation may outpace trade-based allocation."[52]

As described above, the Operating Committee proposed a discrete change to how payments would be allocated to Members under the revenue allocation formula, which formula remains unchanged, to address quoting activities that are outside of historic quote-to-trade ratios

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46 Response Letter at 1.

47 Response Letter at 3.

48 See supra note 41 and accompanying text.

49 Response Letter at 2.

50 Response Letter at 2.

51 Response Letter at 2.

52 Response Letter at 2.

that the Operating Committee estimates as substantially less than 5:1.[53] The Operating Committee provided data to support the Amendment that showed quote-to-trade ratios on certain exchanges that were outside of historical norms, in one case in excess of 100:1.[54] While one commenter stated that there may have been legitimate reasons for that elevated quoting activity,[55] it is not clear that these reasons explain the prolonged and recurring quoting activity that significantly exceeded other Members' historical norms.[56] Further, there is no evidence, at this time, to suggest that the Amendment would result in exchanges being less incentivized to display aggressive quotes. However, as described above, the Commission and the Operating Committee will continue to monitor any issues that may arise and consider whether and to what extent additional revisions should be made to the revenue allocation formula.[57]

The Commission finds that the Amendment is appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets because it is a narrowly designed revision to payments pursuant to the revenue allocation formula, while including a de minimis exception applied to Members with very low total quoting and trading activity.[58] Specifically, the Amendment is narrow in scope, as it is designed to revise the payment of quotation revenue to Members only in specific occurrences of quoting activity that are outside of historical norms. Providing a de minimis exception also recognizes that Members may temporarily exceed the 5:1 ratio due to statistical volatility without materially affecting revenue distribution, such as can happen to new exchanges during their launch. Moreover, the exclusion

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53 See supra notes 15-17 and accompanying text.

54 See Notice, supra note 4 at 36634; see also SIFMA Letter at 3.

55 See supra note 41 and accompanying text.

56 See Notice, supra note 4 at 36634.

57 See supra note 33.

58 See supra notes 23 and 24.

of FINRA from the 5:1 ratio is appropriate given the unique nature of FINRA's trade reporting facilities.[59] Consequently, the Commission finds that the Operating Committee's adjustments to payments under the revenue allocation formula to address these quoting activities are reasonable and fulfill its obligations of "designing a fair and reasonable revenue allocation formula ... and overseeing, reviewing and revising that formula as needed."[60]

IV. Conclusion

For the reasons discussed above, the Commission finds that the Amendment is consistent with the requirements of section 11A of the Exchange Act,[61] and Rule 608 thereunder.[62] Specifically, the Commission finds that the Amendment is appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of, a national market system, or otherwise in furtherance of the purposes of the Exchange Act.

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59 See Notice, supra note 4. Pursuant to FINRA Rule 6110, FINRA members are required to report transactions in NMS stocks effected "otherwise than on or through a national securities exchange to FINRA." See FINRA Rule 6110(a). FINRA also provides an Alternative Display Facility ("ADF") that provides members with a facility for the display of quotations, the reporting of trades, and the comparisons of trades. Currently, there are no active quoting ADF members. See https://www.finra.org/filing-reporting/alternative-display-facililty-adf.

60 See CT Plan, Art. IV, section 4.1(a)(vi).

61 15 U.S.C. 78k-1.

62 17 CFR 242.608.

IT IS THEREFORE ORDERED, that pursuant to section 11A of the Exchange Act,[63] and Rule 608(b)(2) thereunder,[64] the Amendment (File No. 4-757) is approved.

By the Commission.

J. Matthew DeLesDernier,

Deputy Secretary.

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63 15 U.S.C. 78k-1.

64 17 CFR 242.608(b)(2).