FIA PTG
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June 26, 2025

The Honorable Paul Atkins, Chairman
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Consolidated Audit Trail: Proposals to Ensure Proper Governance and Lower Costs of CAT (File Number 4-853)

Dear Chairman Atkins:

The FIA Principal Traders Group ("FIA PTG")[1] writes to you regarding the unsustainable costs and burdens of the Consolidated Audit Trial (the "CAT"). While the CAT was once estimated to cost $50 million a year, its costs have ballooned to approximately $250 million annually and they continue to grow at an alarming rate. FIA PTG has consistently advocated for meaningful reforms to the governance, cost, and unlawful cost allocation of the CAT.[2] We were encouraged by your recent commitment to examine the costs associated with the CAT and support Commission action to address spiraling CAT costs, promote accountability, and to fashion a reasonable governance framework for the CAT.[3]

First, we continue to believe that the CAT should be funded through the Commission's regular budget process rather than through an NMS Plan. While market participants would still

1 FIA PTG is an association of firms, many of whom are broker-dealers, who trade their own capital on exchanges in futures, options and equities markets worldwide. FIA PTG members engage in manual, automated and hybrid methods of trading, and they are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG member firms serve as a critical source of liquidity, allowing those who use the markets, including individual investors, to manage their risks and invest effectively. The presence of competitive professional traders contributing to price discovery and the provision of liquidity is a hallmark of well-functioning markets. FIA PTG advocates for open access to markets, transparency and data-driven policy.

2 *See* Letter from Joanna Mallers, Secretary, FIA PTG, to Brett J. Fields, Secretary, SEC, dated June 22, 2017 ("FIA PTG CAT Funding Letter #1"); Letter from Joanna Mallers, Secretary, FIA PTG, to Brett J. Fields, Secretary, SEC, dated Jul 28, 2017 ("FIA PTG CAT Funding Letter #2"); Letter from Joanna Mallers, Secretary, FIA PTG, to Brett J. Fields, Secretary, SEC, dated January 12, 2018 ("FIA PTG CAT Funding Letter #3"); Letter from Joanna Mallers, Secretary, FIA PTG to Vanessa Countryman, Secretary, SEC, dated May 12, 2021 ("FIA PTG CAT Funding Letter #4"). Letter from Joanna Mallers, Secretary, FIA PTG to Vanessa Countryman, Secretary, SEC dated July 14, 2023 ("FIA PTG CAT Funding Letter #5"); Letter from Joanna Mallers, Secretary, FIA PTG to Vanessa Countryman, Secretary, SEC, dated March 9, 2024 ("FIA PTG CAT Funding Letter #6"); FIA PTG Essay - Making the Case for Congressional Oversight over Consolidated Audit Trail Funding, dated December 8, 2023.

3 *See* "Prepared Remarks Before SEC Speaks", Chairman Atkins (May 19, 2025), available at https://www.sec.gov/newsroom/speeches-statements/atkins-prepared-remarks-sec-speaks-051925.

pay for the CAT through the Commission's Section 31 fee process, placing the CAT on the SEC's ledger would subject CAT costs to Congressional oversight, promote clearly defined budgets, and encourage fiscal discipline. Doing so would also promote cost-efficient decisions regarding CAT design and technology, and ameliorate longstanding concerns regarding the CAT governance framework.

Second, we recommend the Commission take immediate action to reduce CAT costs by addressing costly and inefficient CAT system requirements. Recently, several participating exchanges, [4] as well as SIFMA,[5] submitted thoughtful recommendations to the Commission to significantly reduce CAT costs without meaningfully reducing the utility of the CAT. We agree with the vast majority of these recommendations and urge the Commission to act on them expeditiously.

1. Funding the CAT From the SEC's Budget Will Contribute to Fiscal Discipline

Funding the CAT from the SEC's budget would improve fiscal discipline and accountability. While the industry will continue to pay for CAT costs through the Commission's regular Section 31 process, including the CAT in the SEC's budget would better align incentives to control CAT costs and would meaningfully improve CAT governance. Urgent reform is needed to address longstanding governance deficiencies - today, despite bearing a significant percentage of CAT costs, market participants have no meaningful representation on the Operating Committee charged with designing and operating the CAT and, thus, have been excluded from key decisions regarding design, scope, and budget. If the SEC were to transition the CAT onto its budget, the CAT's scope and budget would be subject to Congressional oversight, which would better align incentives across all stakeholders and ensure that cost-efficient decisions are made regarding overall scope and design, and that the costs and benefits are carefully weighed before expanding system data requirements.

2. The Commission Should Act Immediately on Recommendations to Reduce the Costs of CAT

The CAT's annual budget significantly increases each year and is estimated to increase another ~15% in 2025 alone. This is not sustainable, and the Commission should act immediately to reduce the financial burdens associated with the CAT. We were encouraged to see several recommendations to reduce CAT costs offered by the Self-Regulatory Organizations ("SROs").[6] Consistent with these commenters, we also agree that the Commission should take the following actions imminently to reduce CAT costs:

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[4] Petition for Rulemaking and Exemptive Relief to Reduce the Costs of the Consolidated Audit Trail, Nasdaq & Cboe (Apr. 24, 2025) (Letter from Nasdaq & Cboe") available at https://www.sec.gov/files/rules/petitions/2025/petn4-853.pdf; letter from Jaime Klima, NYSE to Paul Atkins, SEC re: Consolidated Audit Trail: NYSE Proposals to Lower Costs while Maintain Regulatory Benefits (April 24, 2025) ("Letter from NYSE"), available at https://www.sec.gov/comments/4-698/4698-598195-1737842.pdf.

[5] Letter from SIFMA (June 6, 2025) available at https://www.sec.gov/comments/4-698/4698-610487-1785814.pdf.

[6] Letter from NYSE; Letter from Nasdaq & Cboe.

- **Reduce record retention times**. The Commission should reduce record retention requirements to two years.
- **End collection of options market maker quotes**. Reporting options market maker quotes serve little regulatory value and are a major cost driver for both storage and computation.
- **Eliminate duplicative reporting of orders and cancellations sent to exchanges.** Exchanges should act as the gold source of information. Having members report all orders and cancels sent to an exchange in addition to the exchange reporting them is duplicative and adds to the storage burden without clear added value. OTC orders and transactions should be reviewed to ensure that the cost of having each counterparty report and linking the transactions is outweighed by the benefit of linking the reports.
- **Eliminate overlapping requirements such as Electronic Blue Sheets and reporting regulatory information to the FINRA Trade Reporting Facilities.**
- **Extend submission and processing deadlines**. The Commission should extend deadlines to submit, process, and correct data (including related timeline for broker-dealer submissions), which result in significant costs and burdens for no meaningful benefit.
- **Increase Flexibility of CAT Performance & Technical Requirements**. The Commission should consider tailored changes to Appendix D from the CAT NMS Plan to provide more flexibility regarding certain technical standards.
- **Eliminate CAT query tools**. Online Targeted Query tools are costly and infrequently used.
- **Address "Late to the Lifecycle" Processing and Relax Linkage Processing.** There are significant costs associated with re-processing large volumes of existing data to accommodate late CAT reports within tight, costly deadlines. The Commission and the CAT Operating Committee should address these costs. However, in doing so, the Commission should ensure that broker-dealers are not subject to increased risks or burdens in fulfilling their reporting obligations, and continue to have a mechanism to remedy identified reporting issues.

Beyond the recommendations described above, the Commission should:

- **Optimize overall reporting requirements**. The CAT database (and associated technical specifications) can be optimized and should only include essential transaction, error, and data elements to reduce compute and storage costs.
- **Optimize linkage processes**. The CAT linkage processes are overly complex and costly. We recommend optimizing the linkage process and extending associated timelines to reduce costs and increase efficiency.
- **Eliminate "port settings" reporting requirements**. The Commission should confirm that port-level settings are not required CAT records. Port-level settings provide little

regulatory value, give rise to significant reconciliation and other operational issues, and significantly increase the costs of CAT reporting and processing. The existing "exemptive relief" actually gives no real relief to broker-dealers, as explained in several FIF letters to the Commission.

- **Codify temporary exemptive relief**. The Commission should codify its orders granting temporary exemptive relief for certain CAT requirements that are unreasonable and burdensome.
- **Require an independent technology review**. The Commission should require the CAT Operating Committee to engage an independent technology firm to review the operations and technological design of CAT to identify further opportunities to optimize CAT and reduce costs.

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If you have any questions, please do not hesitate to contact Joanna Mallers at jmallers@fia.org.

Respectfully,

FIA Principal Traders Group

Joanna Mallers
Secretary

cc:
Hester M. Peirce, Commissioner
Caroline A. Crenshaw, Commissioner
Mark T. Uyeda, Commissioner
Jamie Selway, Director, Division of Trading and Markets