



Marcia E. Asquith
Corporate Secretary and EVP
Board and External Relations

June 22, 2026

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

Via Email to rule-comments@sec.gov

Re: Concept Release on the National Market System Plan Governing the Consolidated Audit Trail and Other Audit Trails and Data Sources (File No. S7-2026-12)

Dear Ms. Countryman:

The Financial Industry Regulatory Authority, Inc. (“FINRA”)¹ is submitting this letter in connection with the above-captioned concept release on the National Market System Plan Governing the Consolidated Audit Trail (“Plan” or “NMS Plan”).² FINRA appreciates the opportunity to provide its views in response to the Securities and Exchange Commission’s (“SEC” or “Commission”) Concept Release regarding the SEC’s comprehensive review of the Consolidated Audit Trail (“CAT”) and other audit trails and data sources currently used in the regulation of U.S. securities markets.

FINRA strongly supports the Commission’s decision to comprehensively review CAT and agrees with the Commission that the current governance and funding approaches merit revisiting.³ To be clear: market integrity and investor confidence require an effective audit trail encompassing *all* the trading locales for a particular security. No single market or self-regulatory organization (“SRO”) can provide this audit

¹ This letter does not represent the views of FINRA CAT, LLC (“FCAT”), a distinct corporate subsidiary of FINRA that acts as the CAT Plan Processor pursuant to an agreement with Consolidated Audit Trail, LLC (“CAT LLC”).

² See Securities Exchange Act Release No. 105251 (April 16, 2026), 91 FR 20945, 20956 (April 20, 2026) (Concept Release on Consolidated Audit Trail and Other Audit Trails and Data Sources) (the “Concept Release”).

³ FINRA also supports the recent cost savings amendments, as well as continuing to evaluate additional opportunities to streamline the audit trail and CAT’s functionality that would reduce costs without sacrificing CAT’s regulatory utility. See Securities Exchange Act Release No. 105107 (March 27, 2026), 91 FR 16284 (April 1, 2026) (“Cost Savings Amendments”).

trail on its own. Therefore, FINRA has long stressed the importance of a consolidated audit trail to support the integrity and resiliency of the U.S. capital markets and foster investor confidence.⁴

CAT serves that essential role, supporting regulatory oversight and market integrity and benefiting investors and the industry.⁵ Since the SEC first proposed CAT in 2010, FINRA has worked alongside the Commission, other SROs, and market participants to support the development and implementation of CAT under the national market system plan mandated by the Commission. Much has been learned in the intervening 16 years, and those lessons must be heeded in determining how audit trail governance, funding, and design should be improved to better and more efficiently meet regulatory needs.

FINRA believes that the Commission's decisions on the best future for a U.S. consolidated audit trail should be guided by the following principles:

- *A consolidated audit trail is essential to regulatory oversight of the U.S. capital markets.* CAT was born from historical events that evidenced the need for a consolidated audit trail that enabled effective cross-market oversight by regulators, and markets have continued to grow in speed, sophistication, interconnectedness, and complexity since those events. This audit trail should include all trading in covered securities in all venues irrespective of their design characteristics.
- *The SEC mandate for CAT should be reflected fully in its governance.* Many aspects of the complexity and cost of the CAT system derive from design choices specified in Rule 613, requirements for Commission approval of the NMS Plan and its amendments, and related interpretations by the Commission and its staff. The trade-offs inherent in these choices should be internalized by the SEC, which is also a primary user of CAT. It has become evident through over a decade of experience that the NMS Plan framework of collectively administering CAT through joint deliberations and varying voting alignments of dozens of SROs yields a challenging, inefficient, costly, overly complex, and conflicted regime. This process has not best served the interests of the U.S. markets and investors in achieving a sensible and serviceable CAT that fulfills its regulatory purpose without undue costs and complexity.
- *CAT should have stable, fair, and transparent funding.* Funding for CAT should be secured through the federal process (*i.e.*, SEC budget, congressional approval of funding, and Section 31 fees) to provide transparency and stability.

⁴ See Letter from Marcia Asquith, Senior Vice President and Corporate Secretary, FINRA to, Elizabeth M. Murphy, Secretary, SEC, dated August 9, 2010 ("2010 FINRA Letter").

⁵ Indeed, the SEC adopted Rule 613 to create a comprehensive consolidated audit trail following the May 6, 2010 "Flash Crash," which demonstrated to the Commission that the then-existing audit trail data available was insufficient "to accurately or comprehensively reconstruct exchange and ATS equity limit order books for NMS securities as required to fully analyze the events of that day." See Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722, 45729-30 (August 1, 2012) ("CAT Adopting Release").

- *Transition burdens to an SEC-governed audit trail should be minimized.* Short-term transition matters should not serve as an obstacle to moving forward with a sensible and sustainable future framework for CAT governance and funding. The Commission should prioritize minimizing transition burdens and recognize and leverage the significant investments that CAT reporters have already made in reporting to existing CAT infrastructure. This transition should fairly compensate the SROs for the costs they have borne in building the CAT as required by the SEC, including their outstanding loans to CAT LLC.
- *Audit trail design and scope decisions should balance regulatory needs with costs.* There should be continued evaluation of audit trail requirements to carry momentum from the significant recent CAT Cost Savings Amendments and ensure a calibrated audit trail that collects necessary information while minimizing undue industry reporting costs in the aggregate.
- *Ongoing feedback from SROs and industry members regarding audit trail functionality should continue to be a priority.* If the SEC assumes responsibility for CAT's governance and funding, it is important that interested parties continue to have an opportunity to provide regular feedback regarding the audit trail to ensure CAT remains well designed as markets change and develop.

As discussed further below, FINRA believes that these principles are most effectively furthered by the SEC assuming direct responsibility for the audit trail's governance and funding, which would rectify many of the issues that have persisted under the CAT NMS Plan.

A. CAT Is Critical for Effective Market Oversight

As a registered national securities association, FINRA is responsible for overseeing the activities of its more than 3,200 member firms. FINRA's regulatory activities include examinations, surveillance, investigations, and enforcement in furtherance of its obligation to oversee member firms' compliance with the provisions of the federal securities laws and FINRA's own rules.⁶ This obligation applies wherever the member firms conduct business. Today's broker-dealers operate in a market of unprecedented speed and complexity, with new trading platforms and automated strategies continually increasing the demands on an audit trail that can support surveillance and other oversight functions.⁷ In addition, U.S. markets have experienced significant growth in trading volumes in the intervening years, further expanding the

⁶ Approximately 375 FINRA members are also members of a registered national securities exchange. See 15 U.S.C. 78f(b)(1) and 78o-3(b)(2) (requiring the SROs to be organized and to have the capacity to comply, and to enforce compliance by their members, with the Exchange Act, the rules and regulations thereunder, and their own rules); 15 U.S.C. 78s(g)(1) (requiring the SROs to comply, and, absent reasonable justification or excuse, to enforce compliance by their members, with the Exchange Act, the rules and regulations thereunder, and their own rules).

⁷ At present there are 29 registered national securities exchanges along with the off-exchange "over-the-counter" ("OTC") market made up of roughly 40 alternative trading systems, as well as hundreds of broker-dealers that provide liquidity in the OTC market executing customer orders out of their own inventory. It is commonplace for transactions in equities and options to span multiple markets and venues.

scope and scale of data that regulators must monitor and analyze.⁸ As the Commission has recognized, the need for a consolidated audit trail to facilitate cross-market oversight by regulators has never been more acute.⁹

FINRA uses CAT data 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. FINRA also uses CAT data 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 members. By facilitating cross-market oversight, CAT has undoubtedly strengthened the detection of fraud, insider trading, and market manipulation across the U.S. equity securities markets.

Compared to previous audit trails, CAT offers significant advantages.¹⁰ As the operator of CAT's precursor, the Order Audit Trail System ("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,¹¹ 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.¹² Nor did OATS include exchange quotes, principal orders submitted by FINRA members registered as exchange market makers, or options data.¹³

CAT substantially improves the cumbersome and costly process of collecting and processing separately developed data from disparate sources. For example, CAT collects data in defined formats from all required reporters and provides order

⁸ In 2025, the U.S. NMS equities market had a record average daily transaction volume of 111.95 million and average daily notional value of \$828.1 billion. See 2026 FINRA Industry Snapshot, Table 3.1.1.2 NMS Equity Trading by Venue Type, 2022 – 2025 (June 2026), <https://www.finra.org/sites/default/files/2026-05/2026-Industry-Snapshot.pdf>. These figures reflect over a 38% and 35% increase, respectively, from just the year before and over an 57% and 35% increase, respectively, from 2022 – the first full year for which comprehensive transaction volume data from CAT is available. See *id.*

⁹ See Concept Release, *supra* note 2, at 20946 (noting that, "[b]ecause 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").

¹⁰ See Concept Release, *supra* note 2, at 20947 (noting that "[e]ven with augmented OATS data, assembling a consolidated audit trail from the various data sources described above was a cumbersome, complex, and time-consuming process that was prone to error").

¹¹ See 2010 FINRA Letter, *supra* note 4, at 2. Prior to CAT's implementation there was no single system or repository of comprehensive data from U.S. equities and options markets. OATS did not include data for exchange activity, and the exchanges provided FINRA with their respective audit trail data to supplement OATS data. A separate audit trail, the Consolidated Options Audit Trail System ("COATS") and options exchange audit trail data was used separately by SROs for options market oversight.

¹² See CAT Adopting Release, *supra* note 5, at 45728.

¹³ See *id.* To supplement OATS data, FINRA established bilateral agreements with each of the exchanges to provide FINRA with their respective audit trail data, and FINRA engaged in extensive data collection and management processes to collect and validate that data before mapping and normalizing the data so that it was usable for regulatory review and analysis.

“lifecycles,” mapping orders from initiation to potential routing across markets and eventual execution.¹⁴ Thus, CAT allows regulators to efficiently and accurately access activity from all required reporters across the U.S. markets in covered securities. As the SEC has recognized, this ability is critical for an effective market surveillance program.¹⁵

B. The NMS Plan Framework Has Proven Flawed for Governing CAT

While the SEC’s original goals for CAT continue to be as important today as they were in 2012 when the SEC adopted Rule 613, the implementation of CAT has navigated evolving technical requirements, demanded challenging trade-offs of functionality and cost, and involved differing views among the SEC and SROs regarding design choices. The NMS Plan framework selected to govern implementation has proven flawed in addressing these challenges, undermining both industry member and public support and confidence in the project.¹⁶

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.¹⁷ The CAT NMS Plan governance structure, with its disparate and inequitable voting structure, frequently has failed to produce these benefits.¹⁸ These challenges have materialized in various

¹⁴ Currently, CAT reporting generally is required of SRO CAT NMS Plan Participants, members of national securities exchanges and FINRA members in connection with NMS Securities and OTC equity securities, as further specified in SRO rules and the CAT NMS Plan. To the extent activity occurs in a security away from these specified regulated entities, such activity would not be reportable to CAT.

¹⁵ CAT Adopting Release, *supra* note 5, at 45764 (explaining “the ability to compare the consolidated order execution data, including customer information, with the trades reported to the consolidated tape would be an important component of an effective market surveillance program that is not possible today because regulators currently do not have access to comprehensive cross-market audit trail data, and the process of identifying customers is very labor intensive, time-consuming, and error prone”).

¹⁶ FINRA expressed significant concerns with the choice of an NMS Plan framework for CAT governance and administration prior to the adoption of Rule 613. See 2010 FINRA Letter, *supra* note 4, at 15.

¹⁷ See *id.* (noting, “[i]t would be difficult and inefficient to attempt to make these types of ongoing changes in a joint Plan environment”).

¹⁸ See Letter from Steffen N. Johnson, Wilson Sonsini Goodrich & Rosati, to Vanessa Countryman, Secretary, SEC, dated October 17, 2025 at 16 (“FINRA October 2025 Letter”). Under the current CAT NMS Plan governance framework, there are 28 Plan Participants. Each Participant appoints one member of the CAT Operating Committee, and each Participant has one vote. Key decisions, including Plan amendments, material contract management, litigation and fee schedules, require a supermajority of 19 votes. Four blocks of affiliated exchanges together represent 21 out of the 28 available votes. In practice, affiliated Participants vote together based on the interests of their exchange-group parent company. As few as two exchange groups have the requisite votes to veto key decisions. While FINRA is responsible for overseeing the over 40% of U.S. equity trading volume that occurs by broker-dealers away from any exchange, we are represented by only one vote (out of 28) in the NMS Plan.

contexts, most notably in connection with cost allocation and funding¹⁹—eleven years after the CAT NMS Plan Participants filed their first proposal for funding CAT, there is still not a permanent funding model in place. FINRA believes that the persistence of these issues indicates that the SEC’s goals are not best achieved through the current NMS Plan governance structure, and FINRA strongly supports the Commission’s efforts to explore alternative governance structures outside of an NMS Plan framework.

C. SEC Governance and Funding Would Ensure an Effective and Sustainable Audit Trail

Given the critical importance of a consolidated audit trail and the lessons learned from the costly and inefficient CAT NMS Plan experience, FINRA recommends that the Commission assume governance of the consolidated audit trail, with costs incorporated as part of the SEC’s budgeting process and direct funding subject to the congressional approval process (and fees pursuant to Section 31 of the Exchange Act). SEC governance would yield several advantages and rectify many of the problems discussed above that have frustrated the existing NMS Plan model, most importantly:

- The Commission is a single, non-commercial entity that has the authority to centrally govern a consolidated audit trail, given its jurisdiction over broker-dealers, SROs, and potentially other types of reporters.
- Centralizing administration of the audit trail through the Commission would improve and streamline CAT operations, rather than subjecting decisions to complex SRO group negotiations and a 28-member CAT NMS Plan voting structure. It would also reduce the need for costly consultants and advisors.
- The SEC would be able to specify appropriate access to audit trail data, including ensuring that audit trail data remains accessible to SROs for the purpose of performing their regulatory and oversight responsibilities pursuant to the federal securities laws, rules, and regulations.
- Centralized funding through the Commission and the federal budget process would ensure the continued availability of this critical tool to enable effective market oversight. In addition, aligning accountability for system scope and design (*i.e.*, cost drivers) with responsibility for budgeting and funding would support the achievement of an audit trail that is reasonably designed to facilitate efficient operation while ensuring that costs are appropriately stewarded.
- Continued opportunity for regular feedback from SROs, member firms, market participants, and other interested parties regarding audit trail design and scope, security, and other pertinent operational matters would remain important and can be facilitated.
- In assuming responsibility for the audit trail, the SEC would be able to leverage existing processes, specifications, and infrastructure to avoid new build-out costs.

¹⁹ See, *e.g.*, FINRA October 2025 Letter, *supra* note 18, at 15 and letter from Marcia E. Asquith, Corporate Secretary, EVP Board and External Relations, FINRA, to Vanessa Countryman, Secretary, SEC, dated April 11, 2023, at 5-7.

In addition, the SEC is well-positioned to minimize transition burdens for the industry and to avoid unintended consequences during the transition.

FINRA's specific recommendations with respect to each of these areas are discussed further below.

1. The Commission Should Adopt Its Own Audit Trail Rule

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). CAT LLC and its associated costs would no longer be necessary: it was formed for the sole purpose of conducting the activities required of the SROs in response to Rule 613, pursuant to Rule 608(a)(3), which authorizes the SROs to act jointly in preparing, filing, and implementing national market system plans.

The SEC's audit trail reporting rule should require reporting, at a minimum, by broker-dealers, national securities exchanges, and national securities associations,²⁰ using language that leverages existing relevant provisions from Rule 613—*e.g.*, relating to data recording and reporting, clock synchronization and timestamp requirements, and definitions, as modified by relief granted in connection with the operation of the CAT NMS Plan to date.²¹ Additionally, an SEC direct reporting rule could mirror the current requirements relating to the timeliness, accuracy, integrity, and completeness of the data provided by reporters. Such an approach would avoid unnecessary cost and potential confusion that could result from introducing entirely new requirements regarding core reporting obligations and ensure that existing relief is codified in the new version of the rule.²² It would also avoid the potential for duplicative and costly efforts by reporters and

²⁰ While SROs have jurisdiction over their members, and many FINRA members are also exchange members (and vice versa), neither FINRA alone nor any exchange has jurisdiction to mandate reporting by all industry members that currently report to CAT. FINRA also does not have authority over any other SRO (and vice versa). Direct SEC rulemaking provides for an effective and streamlined regime to ensure appropriate regulatory reach over venues on or through which trades in covered securities are effected.

²¹ See, *e.g.*, Securities Exchange Act Release No. 77265 (March 1, 2016), 81 FR 11856 (March 7, 2016) (Order Granting Exemptive Relief from Certain Provisions of Rule 613 of Regulation NMS) (exempting options market makers from continuous quotation reporting obligations under Rule 613(c)(7)(ii) and (iv), permitting an alternative "Allocation Report" approach for subaccount allocations under Rule 613(c)(7)(vi)(A), and relaxing manual order event timestamp granularity to the second under Rule 613(d)(3)); Securities Exchange Act Release No. 88393 (March 17, 2020), 85 FR 16152 (March 20, 2020) (Order Granting Conditional Exemptive Relief from Certain Provisions of the CAT NMS Plan Related to PII) (modifying Customer-ID collection requirements under Rule 613(c)(7)(i)(A) and Rule 613(j)(5) to permit the use of transformed unique identifiers); Securities Exchange Act Release No. 88608 (April 8, 2020), 85 FR 20743 (April 14, 2020) (Order Granting Conditional Exemptive Relief Relating to Timestamp Granularity) (clarifying application of Rule 613(d)(3) and Section 6.8(b) of the CAT NMS Plan regarding business clock increments finer than nanoseconds); see also Order Granting Exemptive Relief from Certain Provisions of the CAT NMS Plan Related to Industry Member Reporting of Port-Level Settings and RFQs, Securities Exchange Act Release No. 104664 (January 23, 2026), 91 FR 3557 (January 27, 2026) (permanently exempting Industry Members from port-level setting reporting obligations and certain non-actionable standard electronic RFQ responses under Rule 613(c)(7)).

²² SROs and industry members have expended substantial resources to report consistent with current CAT specifications. In addition, FINRA has expended substantial additional resources to incorporate CAT data into its surveillance systems and other oversight processes. FINRA notes

users to update existing systems and processes that leverage current data and infrastructure.

However, many of the provisions in current Rule 613 of Regulation NMS would be unnecessary for an SEC rule—e.g., rules requiring the SROs to establish an NMS plan, and specifying that such plan require that SRO rules compel members to report the necessary data to the audit trail. SRO rules requiring members to comply with the SEC’s own rules need not be mandated, as broker-dealers already are directly required to comply with applicable SEC rules (unlike an NMS plan, which is a less centralized framework—making redundant provisions more purposeful).²³ Likewise, FINRA is bound to comply with the federal securities laws that address FINRA’s conduct without an explicit compliance rule within FINRA’s own rulebook (e.g., Regulation SCI).

2. A New SEC Rule Should Address CAT Data Ownership and SRO Access

A new SEC rule that establishes direct reporting requirements and SEC governance should clarify the terms of CAT data ownership and continue to recognize the importance of consolidated audit trail data to SRO oversight. Under an SEC-governed audit trail model, the Commission should own all historical and ongoing CAT data. FINRA believes that clarifying data ownership in an SEC-governed model would help manage access to CAT data by parties beyond the SEC and SROs.²⁴

Importantly, in an SEC-governed model, the SEC should make clear the terms of continued SRO access to audit trail data for the purpose of performing their regulatory and oversight responsibilities pursuant to the federal securities laws, rules, and regulations. Access to audit trail data is critically important for FINRA to fulfill its regulatory obligations and to conduct robust cross-market oversight.

The security of that data is equally critical to FINRA. As FINRA has discussed previously, it has adopted certain data tagging and monitoring controls to implement a secure analytic workspace.²⁵ FINRA also maintains a robust set of architectural-level and program-level security controls in its own environment to manage access to, and use of, CAT data.²⁶ FINRA has made significant investment to securely integrate CAT data into its regulatory programs, and FINRA has discussed how changes to the current

that these SRO costs to integrate CAT data into regulatory systems and environments are separate from the CAT LLC costs to build and operate the CAT system itself. The SEC should leverage as much technological infrastructure as possible to preserve prior investments and minimize transition burdens for the industry.

²³ Nonetheless, SROs should not be prohibited from adopting SEC audit trail-related rules if, for example, SROs identify issues that suggest a benefit from direct SRO rulemaking.

²⁴ For example, today any SRO may receive a request for CAT data from other government regulators or private party litigants. While the SROs typically have tried to coordinate those requests with SEC staff, FINRA believes the SEC is best positioned to directly manage these kinds of requests and ensure that CAT data is provisioned only for appropriate regulatory use.

²⁵ See Letter from Marcia Asquith, Executive Vice President, Board and External Relations, FINRA, to Vanessa Countryman, Secretary, SEC, dated November 30, 2020.

²⁶ See *id.*

SRO access model would involve material time and cost.²⁷ FINRA believes that continued and uninterrupted SRO access to CAT data, which could leverage existing requirements, will be an essential part of any transition plan. Continued SRO access to CAT data would limit the need for SROs to update existing systems and processes that leverage CAT data, minimizing costs for the SROs and industry members.

3. The SEC Should Incorporate Total CAT Costs into its Budgeting Process

To ensure a stable and appropriate funding source for the audit trail going forward, the Commission should incorporate the cost of the audit trail into its annual budgeting process, funded subject to the Congressional approval process, and then incorporated into the Section 31 fee calculation.²⁸ CAT funding has been one of the central challenges of building and operating the CAT, and funding instability jeopardizes the availability of critical data for the important work necessary to oversee the U.S. markets, preserve market integrity, and protect investors. One of the primary benefits of SEC administration of a consolidated audit trail is the removal of perpetual conflict and uncertainty regarding its funding.²⁹ FINRA strongly recommends that all costs relating to the operation of the audit trail, including vendor costs, be incorporated into the SEC's budget in the first instance, and that these costs to the Government be recovered through fees collected pursuant to Section 31 of the Exchange Act.³⁰

A consolidated audit trail is a core tool that underpins the ability of the SEC to oversee the U.S. capital markets in service of the agency's mission of maintaining fair, orderly, and efficient markets and, as such, is appropriate for inclusion in the SEC's annual budget along with other agency expenditures.³¹ Section 31 fees are a well-established vehicle structurally designed to recoup the cost to the Government of the appropriation to the SEC, irrespective of the nature of those costs within the agency. Because this fee mechanism is currently operational, transparent, and adjustable, we

²⁷ See *id.*

²⁸ This approach has significant support from industry members. For example, SIFMA has repeatedly advocated for CAT to be included in the SEC's budget. According to SIFMA, this approach would be more transparent and have the added benefits of bringing CAT fees under the SEC's annual budget process, which is subject to congressional review and oversight, and incentivize the SEC to control CAT costs and address concerns regarding ineffective CAT governance. See, e.g., Letter from Katie Kolchin, Managing Director, Head of Equity & Options Market Structure & Joseph Corcoran, Managing Director and Associate General Counsel, SIFMA, to Vanessa Countryman, Secretary, SEC, dated March 12, 2026 ("SIFMA 2026 Letter").

²⁹ The funding issue exists apart from the related problem of CAT costs, which FINRA believes should continue to be rigorously addressed by the SROs in the near term and by the SEC once it assumes governance of the audit trail. As discussed below, in addition to finding additional ways to reduce costs, FINRA also encourages the Commission to work to reduce regulatory duplication through the establishment of a request and response system (as an alternative to Electronic Blue Sheet ("EBS") requests).

³⁰ Section 31 generally provides that the SEC adjust Section 31 fees at a rate that is reasonably likely to produce aggregate fee collections equal to the regular congressional appropriation to the Commission for the applicable fiscal year. See 15 U.S.C. 78ee(j)(1).

³¹ FINRA notes that there are SRO costs to integrate CAT data into its regulatory systems and environment, separate from the costs of the CAT system.

believe it is a reasonable framework to leverage to fund an expanded SEC budget due to audit trail costs, as compared to a separate audit trail-specific fee. Section 31 fees are assessed directly by the Commission on SROs including FINRA.³² FINRA passes Section 31 fees on to members (who may determine to pass these fees on to customers).³³ Including in the Commission's budget the costs of operating a consolidated audit trail that is squarely in furtherance of the agency's mission is not only appropriate and warranted—it is critical to ensuring the availability of the information that the Commission found was necessary for adequate cross-market oversight following the 2010 Flash Crash.

FINRA also believes that aligning responsibility for CAT's administration (and the decisions that contribute to cost generation) with responsibility for budget justifications and funding would incentivize appropriate focus on balancing the costs and benefits of audit trail design and scope decisions. While the cost drivers for operating the audit trail are multifaceted, significant savings can be achieved through clear direction and consistent effort, as evidenced by the savings achieved in the recent Costs Savings Amendments championed by Chairman Atkins. Thus, FINRA believes vesting funding responsibility in the SEC—a centralized authority subject to direct congressional oversight—is an important counterpart of an SEC-governed audit trail model.

4. Feedback From SROs and Industry Members Should be Encouraged and Considered

Under the recommended approach, the SEC would act as the centralized decision maker regarding the scope, design, and costs of the audit trail (and for promulgating reporting rules applicable to broker-dealers, FINRA, the exchanges, and potentially other venues on or through which trades in covered securities are effected). In addition, assuming the SEC retained a vendor, it also would be responsible for vendor relationships. Under the current NMS Plan framework, Section 4.13 of the CAT NMS Plan establishes an advisory committee composed of fourteen representatives from SRO member firms, investors, and other industry participants. While this particular framework is SRO-aligned, there remains the need for a process that allows effective dialogue. The ongoing administration of the audit trail needs the benefit of regular feedback from SROs and industry members to help inform audit trail operations as markets evolve and new challenges arise.

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. The committee would provide feedback to the vendor regarding design and functionality of the audit trail. Initial framing for the committee would establish the number and categories of membership, requiring that invitations be extended to a broad selection of industry representatives (similar to the CAT NMS Plan Advisory Committee) but also to representatives of FINRA and the other SROs, with further details to be established and

³² Section 31 of the Exchange Act requires SROs to biannually pay the SEC a fee based on the aggregate dollar amount of certain sales of securities. See 15 U.S.C. 78ee. The fee rate may change annually as part of the Commission's budget appropriation for a given fiscal year or on a mid-year basis in accordance with the requirements of Section 31. Exchange Act Rule 31 describes how Section 31 fees are calculated, charged, and collected. See 17 CFR § 240.31.

³³ As FINRA has previously discussed, FINRA is a not-for-profit SRO that relies primarily on fees from its members for funding.

informed by the committee itself. FINRA believes that such a committee would allow the vendor to remain abreast of technical, operational, market, and other issues that impact reporters and audit trail functions.

5. *The SEC Should Facilitate a Smooth Transition of the CAT*

Given the complexity of the CAT NMS Plan structure and the significance of the costs that have accrued to date, there are open issues related to the current governance structure that remain unresolved. While these matters are significant, FINRA believes that they can be navigated and should not deter the Commission from pursuing a future audit trail that is centrally governed and funded by the Commission. One of the primary issues that remains outstanding is the CAT costs borne by the SROs to date. The SRO participants to the CAT NMS Plan formed CAT LLC with the understanding that costs would be shared between the industry and the SROs. In reliance on this understanding, CAT LLC assumed expenses up-front to build and operate CAT, funded through \$915 million in loans from SRO participants.

CAT LLC's first opportunity to collect fees from industry members followed the Commission's approval of a funding model in September 2023. The first transactions on which fees were assessed as to industry members were in September 2024 (for prospective fees) and October 2024 (for specified historic fees). After the funding model was overturned in court, fee collection ceased for a time until CAT LLC refiled a funding model and the Commission approved it for a two-year period in March 2026. CAT LLC has therefore resumed sending invoices to industry members assessing CAT prospective and specified historic fees, beginning with May 2026 transactions.

Nonetheless, at this stage, CAT LLC has recovered only a fraction of the historical upfront and operating costs associated with CAT that should be recovered from industry members.³⁴ To facilitate a smooth transition of CAT to a new model, FINRA urges the Commission to work to address this issue such that the SROs are permitted to recoup the industry portion of recoverable CAT costs that continue to be borne by the SROs.

D. Technical Audit Trail Design, Functionality, and Scope Recommendations

There has been substantial recent progress to sharpen CAT's scope in balance with its costs. The annual budget for the CAT system was reduced by roughly \$100 million from 2025 to 2026—from roughly \$249 million for 2025 to roughly \$147 for the most recent 2026 budget. Additional reductions are expected with the continued implementation of approved cost savings measures.

Building on this momentum, FINRA supports further evaluation of CAT requirements and scope that help manage project costs while preserving critical regulatory utility. The recent cost savings measures addressed a number of CAT system requirements, including data processing, availability, and retention. FINRA supported the changes that were proposed and approved. As the Commission noted in its order approving those amendments, there were some additional changes that the SROs considered, such as modifying the timeline for order linkage processing, but did not

³⁴ Additionally, millions in fees previously assessed by the SROs remain outstanding.

pursue because of broader cost impacts outside the CAT system.³⁵ FINRA welcomes this holistic viewpoint and believes it is important to consider whether any changes to reduce the cost of the CAT system itself might increase or shift other costs to industry members. This factor is among the reasons that industry engagement remains critical to inform further cost management efforts.

FINRA further supports ongoing dialogue among regulators and industry members to evaluate additional scope changes. For example, industry groups have asked for the extension of current exemptive relief involving verbal activity on exchange floors, representative order linkage, and port-level settings.³⁶ FINRA generally supports consideration in these areas balanced with the goal of avoiding undue regulatory impact. FINRA also supports ongoing evaluation of reporting formats and specifications to see if core regulatory objectives can be maintained with less industry reporting cost and burden. Given the diversity of industry member operations and technology systems, FINRA believes continued industry engagement is again critical to guide these efforts.

Another cost savings measure that was recently considered but not pursued involved eliminating the CAT customer identifier, or “CCID.” The CCID is a unique identifier that involves a two-step transformation process to “double hash” sensitive identifiers like Social Security Numbers and to keep those sensitive identifiers out of CAT.³⁷ The CCID generation process was “developed by the Chief Information Security Officer for the CAT and the chief information security officers from each of the Participants, in consultation with security experts from member firms of SIFMA.”³⁸ In discussing CCID value and costs, the SEC recently expressed its view that the CCID “preserves a core regulatory purpose of the CAT by allowing for the tracking of a specific order of a Customer throughout its entire lifecycle without the reporting or storage of social security numbers in CAT.” The SEC further observed that “the CCID process greatly facilitates the regulatory and 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.”³⁹ Industry groups have similarly opposed the elimination of CCID, as that would “remove[] the core function of CAT.”⁴⁰

FINRA has used CCID to enhance and better direct its oversight effort. In some cases, CCID has allowed FINRA to identify related accounts engaged in problematic activity. Notably, these cases have included activity that would not have been readily

³⁵ See Cost Savings Amendments, *supra* note 3, at 16285-86.

³⁶ See, e.g., Financial Information Forum (“FIF”) Submission to CAT LLC with Prioritized Recommendations, dated April 27, 2026, available at <https://fif.com/index.php/working-groups/category/271-comment-letters?download=3546:fif-submission-to-cat-llc-with-prioritized-recommendations&view=category>.

³⁷ See, e.g., Cost Savings Amendments, *supra* note 3, at 16303 (describing the CCID generation process).

³⁸ See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, SEC, dated January 29, 2020, at 4.

³⁹ See *id.*

⁴⁰ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to SEC, dated February 10, 2026.

detected without CCID, given the activity was conducted through accounts at different broker dealers, with no apparent connection in the audit trail other than CCID. These cases have also included problematic coordinated activity 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. In other cases, 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. FINRA therefore agrees that CCID provides significant regulatory value and reduces additional data requests to the industry.

FINRA remains deeply committed to data security and privacy, which is especially important to evaluate as the technology landscape evolves.⁴¹ Among other steps, FINRA is seeking to reduce requests to firms for customer identifying information, and to enhance security when identifying information must be collected. As the Commission notes in the Concept Release, the EBS system has remained operational since CAT was adopted, and given the removal of identifying information from CAT in the years following adoption, “regulators have continued to rely on alternative data sources (including the EBS system) for fulfilling their regulatory obligations compared to what was contemplated by the Commission when it approved the CAT NMS Plan in 2016.”⁴² As the Commission further notes, it agrees with industry comments that a new request-response system “could decrease regulators’ reliance on EBS, which could facilitate the eventual elimination of EBS and could reduce the cost and burdens to Industry Members and increase efficiencies.”⁴³

FINRA was an early advocate for a new request-response utility that operates alongside CAT as a replacement for EBS.⁴⁴ Since that time, as the SROs have noted, FINRA has been considering how a request-response system might be developed and has begun to discuss the concept with industry members.⁴⁵ Industry 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.⁴⁶

⁴¹ See *supra* notes 25 and 26 and associated discussion.

⁴² See Concept Release, *supra* note 2, at 20947.

⁴³ See *id.* at 20961-62.

⁴⁴ See Robert Cook, President and CEO, FINRA, CAT Should Be Modified to Cease Collecting Personal Information on Retail Investors (January 17, 2025), available at <https://www.finra.org/media-center/blog/cat-should-be-modified-to-cease-collecting-personal-information-on-retail-investors>.

⁴⁵ See Letter from Robert Walley, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, SEC, dated March 10, 2026, at 8.

⁴⁶ See, e.g., SIFMA 2026 Letter, *supra* note 28 (“We support and appreciate FINRA taking on this responsibility [of developing a new request-response system] and welcome the opportunity to work with them on it”); Letter from Howard Meyerson, Managing Director, FIF, to Secretary, SEC, dated July 14, 2025 (supporting the creation of an automated request-response system to replace EBS and noting that “FIF members believe that the requests in this system could be centralized through FINRA, as is the case with current EBS requests”).

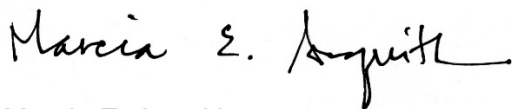
Generally, a new request-response system would be mapped to the account identifiers (“FDIDs”) in CAT—meaning, the new system would enable automated requests by FDID for the identifying information associated with that FDID. Mapping this information to CAT transaction records would facilitate the retirement of EBS, which currently collects identifying information together with specific transaction information. It would also allow the industry to leverage as much as possible the reporting specifications they had already adopted to report FDID-based identifying information to CAT, before the recently approved changes to stop collecting that information in CAT.

In FINRA’s view, a request-response system would function best if it operates adjacent to CAT, rather than as part of the same system; doing so would allow identifying information to remain more separate from CAT transaction information outside of discrete regulatory matters where specific anonymized conduct has been identified for further investigation. Furthermore, FINRA believes that a model for regulatory coordination among SROs exists outside of CAT—specifically, the SROs use the same Intermarket Surveillance Group model that exists today for coordinating operation of the EBS system.

* * *

FINRA remains committed to working collaboratively with the Commission and other interested persons to achieve governance and funding reforms to better ensure the future of a sustainable CAT that can continue to serve as a vital market oversight utility for the long-term benefit of the U.S. capital markets and investing public. FINRA thanks the Commission for its attention to these important matters and stands ready to engage on these issues. Should you have any questions or wish to further discuss FINRA’s views, please contact Robert Colby, Executive Vice President & Chief Legal Officer, FINRA, at 202-728-8484 (robert.colby@finra.org) or Racquel Russell, Senior Vice President & Director, Capital Markets Policy, FINRA, at 202-728-8363 (racquel.russell@finra.org).

Sincerely,



Marcia E. Asquith
Corporate Secretary, EVP
Board and External Relations