

# FINANCIAL INFORMATION FORUM

May 7, 2024

**By electronic mail to rule-comments@sec.gov**

Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090  
Attn: Secretary

**Re: File Number 4-698: Joint Industry Plan; Notice of Filing of Amendment to the National Market System Plan Governing the Consolidated Audit Trail Regarding Cost Savings Measures**

Dear Secretary,

The Financial Information Forum (“FIF”)<sup>1</sup> appreciates the opportunity to comment on the above-referenced Notice of Filing (the “Notice of Filing”) published by the Securities and Exchange Commission (the “Commission”) on April 10, 2024.<sup>2</sup> The Commission published the Notice of Filing in response to a filing by the Participants (the “CAT Plan Participants”) in the National Markets System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan”) on March 27, 2024 proposing amendments to the CAT NMS Plan that are intended to reduce the costs of operating the consolidated audit trail system (“CAT”).<sup>3</sup> FIF is submitting this letter on behalf of our broker-dealer members and technology vendors that support these members.

In their March 27 filing (the “Participant filing”), the CAT Plan Participants propose the following cost savings amendments to the CAT NMS Plan:

- (1) optimize processing and storage requirements for Options Market Maker quotes in Listed Options (“Options Market Maker Quotes”), without eliminating them entirely from the CAT;

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<sup>1</sup> FIF ([www.fif.com](http://www.fif.com)) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the securities industry across the order lifecycle. Our participants include broker-dealers, exchanges, back office service bureaus, and market data, regulatory reporting and other technology vendors in the securities industry. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

<sup>2</sup> Securities Exchange Act Release No. 34-99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024).

<sup>3</sup> Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Securities and Exchange Commission (Mar. 27, 2024) (“March 2024 Participant Letter”), available at [03.27.24-Proposed-CAT-NMS-Plan-Amendment-Cost-Savings-Amendment.pdf](https://www.sec.gov/03.27.24-Proposed-CAT-NMS-Plan-Amendment-Cost-Savings-Amendment.pdf) ([catnmsplan.com](http://catnmsplan.com)).

(2) permit the Plan Processor to move raw unprocessed data and interim operational copies of CAT Data older than 15 days to a more cost-effective storage tier; and

(3) permit the Plan Processor to provide an interim CAT-Order-ID on an “as requested” basis rather than each day.

In addition, the Cost Savings Amendments would incorporate into the CAT NMS Plan the Commission’s recent exemptive order providing that data from industry testing for both Industry Members and Participants may be deleted after three months ... and would extend such relief to include test data related to the customer account and information system.<sup>4</sup>

For the reasons discussed below, FIF members support each of these proposed amendments. FIF members appreciate and support the continuing focus of the CAT Plan Participants in seeking to manage and reduce CAT operating costs. FIF members also believe that additional steps, including certain steps discussed below, can be taken to further manage and reduce CAT operating costs.

#### **Optimize processing and storage requirements for options market maker quotes**

In the Participant filing, the CAT Plan Participants propose that “Options Market Maker Quotes in Listed Options and related Reportable Events will be subject to ingestion only and will not be subject to any linkage requirements.”<sup>5</sup> The CAT Plan Participants note in their filing that “These changes would result in approximately \$20.0 million in additional annual savings ...”<sup>6</sup> FIF members support this proposed change because, as noted in the Participant filing, “... the vast majority of Options Market Maker Quote lifecycles do not involve any execution or allocation and usage data demonstrates that such data is very rarely accessed by regulators.”<sup>7</sup>

The CAT Plan Participants state in the Participant filing that they “... continue to evaluate additional cost savings measures and alternatives, which may include in the future continuing to evaluate eliminating Options Market Maker Quotes entirely from the CAT.”<sup>8</sup> The CAT Plan Participants further state in the Participant filing that “Options Market Maker Quotes are the single largest data source for the CAT, comprising approximately 98% of all options exchange events and approximately 75% of all transaction volume stored in the CAT.”<sup>9</sup> FIF members support eliminating Options Market Maker Quotes from CAT and request that the Commission and the CAT Plan Participants conduct a cost-benefit analysis of maintaining Options Market Maker Quotes in CAT vs. removing them from CAT. FIF members further request that the Commission and the CAT Plan Participants make the results of this analysis publicly available.

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<sup>4</sup> Id. at 2.

<sup>5</sup> Id. at 3.

<sup>6</sup> Ibid.

<sup>7</sup> Id. at 4.

<sup>8</sup> Id. at 4 n.13.

<sup>9</sup> Id. at 3.

## Move Raw Unprocessed Data and Interim Operational Copies of CAT Data Older Than 15 Days to a More Cost-Effective Storage Tier

The CAT Plan Participants note in the Participant filing that,

Under the current CAT NMS Plan, CAT Data must be “directly available and searchable electronically without manual intervention for at least six years,” and within certain query tool response times. This requirement applies not only to the final corrected data version that is delivered to regulators by T+5 at 8 a.m. ET, but also to raw unprocessed data and the various types of interim operational data that do not provide any value to CAT Reporters or to regulators after T+5, as well as copies of all submission and feedback files provided to CAT Reporters as part of the correction process (collectively, “Operational Data”).<sup>10</sup>

Based on the determination by the Plan Participants that Operational Data (as defined in the Participant filing) does “... not provide any value to CAT Reporters or to regulators after T+5 ...”, the CAT Plan Participants propose an amendment to the CAT NMS Plan “to permit the Plan Processor to move Operational Data older than 15 days to a more cost-effective storage tier.”<sup>11</sup>

FIF members support this proposed change. FIF members also believe that further steps can be taken. If the Operational Data does not provide any value to CAT Reporters or to regulators after T+5, there is no reason to store this data after T+5. Any Operational Data that is not queried and does not provide any regulatory value should be permanently deleted. If certain Operational Data will be queried, and the preservation of this data will provide regulatory value, the Commission and the CAT Plan Participants should issue a public report that explains the regulatory value of maintaining this Operational Data. To the extent that the Commission and the CAT Plan Participants can identify a regulatory value for this data and are able to explain this to the public (including to customers who will bear a (potentially significant) portion of the CAT operating costs), FIF members agree with the proposal by the CAT Plan Participants to move the Operational Data to a more cost-effective storage tier.<sup>12</sup> With respect to the proposal to move the Operational Data to a more cost-effective storage tier within AWS, FIF members request that the Commission and the CAT Plan Participants publish an analysis as to whether this data could be stored in tiers within AWS S3, such as Glacier or Glacier Deep Archive, that could be more cost effective than the AWS S3 Intelligent Tier, as proposed in the Participant filing.<sup>13</sup>

The discussion of this issue in the Participant filing also raises significant concerns as to the current and historic lack of transparency regarding CAT operating costs. FIF members were not aware that the Commission was requiring the CAT Plan Participants to store data that has no value for industry members or regulators. Why are industry members required to incur costs for storage of data that has no regulatory value? Further, given the understanding that some portion (and potentially a significant

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<sup>10</sup> Id. at 7.

<sup>11</sup> Id. at 9.

<sup>12</sup> Id. at 2 n.5.

<sup>13</sup> Ibid.

portion) of CAT costs will be passed-through to customers, including retail brokerage customers, why should these customers incur costs for storage of data that has no regulatory value? FIF members request that the Commission provide clarification in response to these questions.

FIF members also are concerned that there could be other requirements that the Commission is imposing on the CAT Plan Participants that either do not provide regulatory value or are beyond the scope of CAT. Accordingly, FIF members believe that enhanced transparency regarding the operation of the CAT system is necessary and appropriate.

### **Provide an Interim CAT-Order-ID on an “As Requested” Basis**

The CAT Plan Participants propose “... to amend the CAT NMS Plan to provide for delivery of an interim CAT-Order-ID on an ‘as requested’ basis, rather than on a regular ongoing basis.”<sup>14</sup> FIF members agree with the CAT Plan Participants that “... the substantial cost of delivering an interim CAT-Order-ID on a continuous basis outweighs any regulatory benefit.”<sup>15</sup> Accordingly, FIF members support this proposed amendment.

FIF members note the following prior statements by the CAT Plan Participants with respect to the Commission’s requirement for the CAT Plan Participants to assign an interim CAT-Order-ID:

The Plan does not require the Participants to assign interim CAT Order IDs at any point, let alone by noon on T+1.”<sup>16</sup> Even if the Plan contemplated including interim CAT Order IDs as part of the process of ingesting CAT Reporter data submissions and validating lifecycle linkages by noon on T+1, such reporting would impose costs for no benefit.<sup>17</sup>

Given these statements by the CAT Plan Participants, FIF members request that the Commission and the CAT Plan Participants publish a cost-benefit analysis of the current and proposed mandates relating to the assignment of an interim CAT-Order-ID. Further, FIF members do not understand why assignment of an interim CAT-Order-ID is appropriate, even on an “as requested” basis, and request that the Commission and the CAT Plan Participants include a discussion of this point in their cost-benefit analysis.

### **Incorporate Exemptive Relief Permitting Deletion of Industry Test Data Older Than Three Months and Include CAIS Data**

The CAT Plan Participants propose to amend the CAT NMS Plan to incorporate the exemptive relief previously granted by the Commission exempting the CAT Plan Participants from retaining CAT test data

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<sup>14</sup> Id. at 10.

<sup>15</sup> Id. at 12.

<sup>16</sup> Brief in Support of Motion for Partial Stay of Order 34-90688, Before the United States Securities and Exchange Commission, In the Matter of the: Order Granting Temporary Conditional Exemptive Relief Pursuant to Section 36 of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 608(e) of Regulation NMS Under the Exchange Act, Relating to Certain Requirements of the National Market System Plan Governing the Consolidated Audit Trail (Feb. 14, 2021), at 5.

<sup>17</sup> Id. at 8.

related to the CAT order and transaction system beyond three months.<sup>18</sup> The CAT Plan Participants further propose to expand this relief to also cover test data related to the CAT Customer and Account Information System.

FIF members support this proposed amendment because storage of test data in CAT is not relevant for regulatory surveillance. FIF members further support deletion of all test data after one week. FIF members request that the Commission and the CAT Plan Participants publish a cost-benefit analysis of any mandate to retain test data beyond one week. As part of this cost-benefit analysis, the Commission and the CAT Plan Participants should identify any use cases that would involve access to test data beyond one week, including the regulatory purpose.

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On July 28, 2023, FIF and the Securities Industry and Financial Markets Association submitted a joint comment letter to the Commission in response to the revised funding model proposed by the CAT Plan Participants.<sup>19</sup> That letter identified various concerns relating to the magnitude of CAT operating costs. FIF members would like to highlight the following points from that comment letter:

- It is important that the Commission provide transparency about any proposed CAT processing changes and the associated costs of those changes.<sup>20</sup>
- Proposed changes to current CAT processing or reporting requirements that could involve further significant increases in CAT operating costs should be subject to an appropriate cost-benefit analysis that is included as part of a CAT NMS Plan amendment.<sup>21</sup>
- The Commission should not impose CAT reporting requirements that are beyond the scope of Commission Rule 613 and the CAT NMS Plan.<sup>22</sup>

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<sup>18</sup> March 2024 Participant Letter, at 13.

<sup>19</sup> Letter from Joseph Corcoran, Managing Director, Associate General Counsel, SIFMA, Ellen Greene, Managing Director, Equities & Options Market Structure, SIFMA, and Howard Meyerson, Managing Director, FIF (July 31, 2023), available at <https://www.sec.gov/comments/4-698/4698-238359-498762.pdf>.

<sup>20</sup> Id. at 11.

<sup>21</sup> Id. at 26.

<sup>22</sup> Id. at 24.

FIF appreciates the opportunity to comment on the Notice of Filing. If you would like clarification on any of the items discussed in this letter or would like to discuss further, please contact me at [howard.meyerson@fif.com](mailto:howard.meyerson@fif.com).

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson  
Managing Director, Financial Information Forum